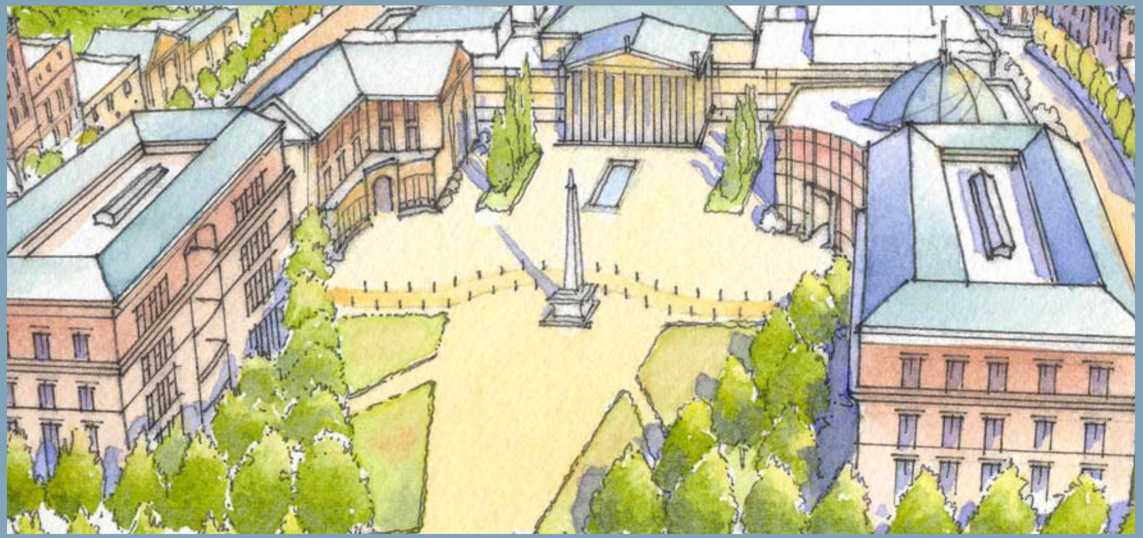
Convention Center Cultural District Master Plan

Raleigh, North Carolina



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Creating Places Where People Want to Be SM

Convention Center Cultural District Master Plan

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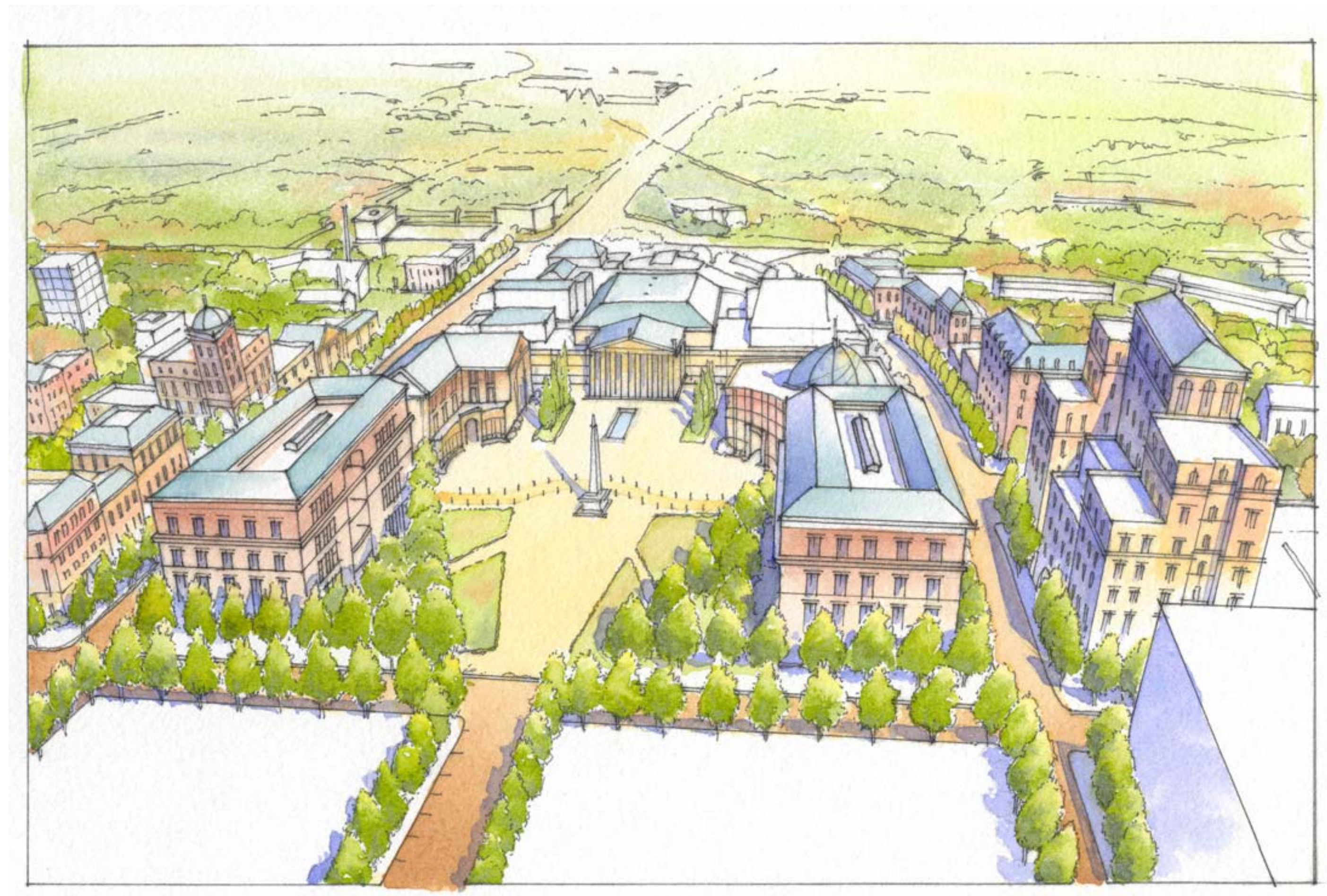

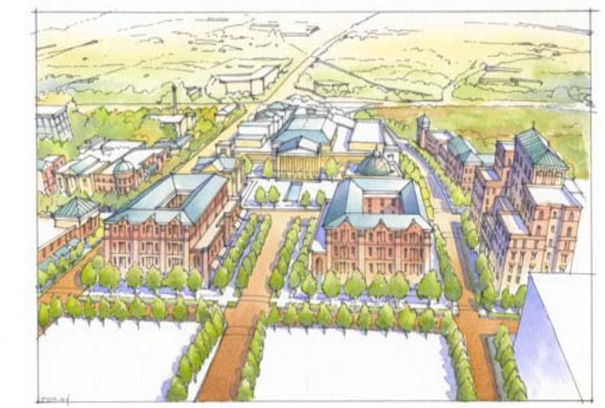

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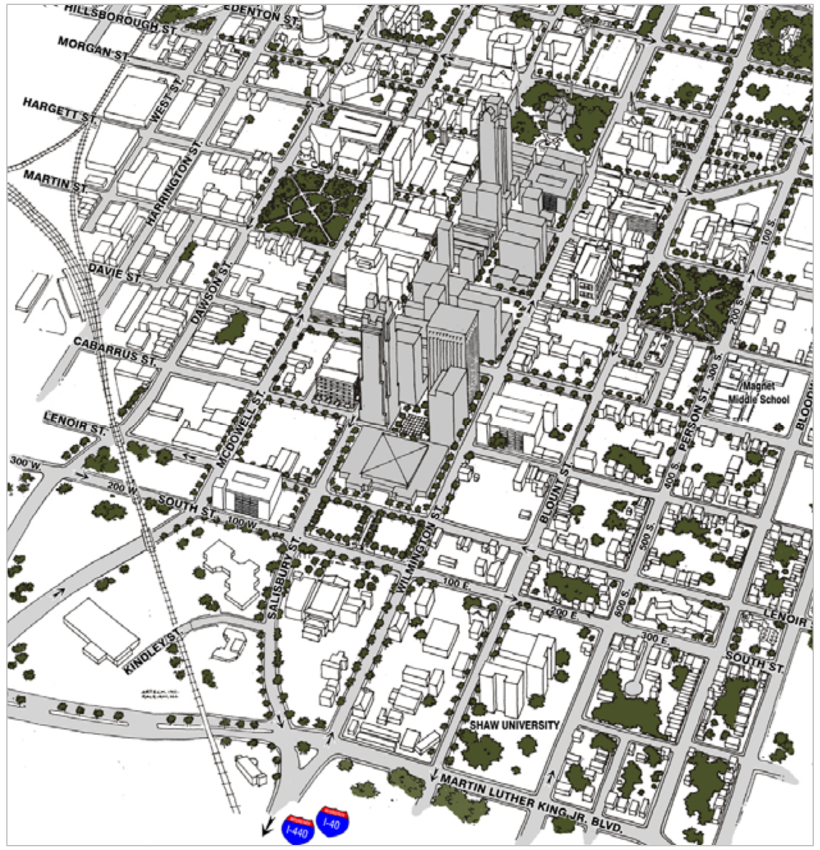


Downtown Raleigh Area Map — Current

Downtown Raleigh Area Map — Future

Downtown Raleigh — Convention Center Cultural District Master Plan

Executive Summary

The City of Raleigh is about to raze its existing Convention Center and undertake the construction of a new, expanded facility on a site immediately adjacent to the current center in the southern sector of Downtown Raleigh. With the demolition of the existing facility and the construction of the new Center and its ancillary headquarters hotel, the City is interested in maximizing the return on its new investment and existing assets.

The City owns several parcels adjacent to and nearby the new Convention facility, and is looking to dispose of these assets in a manner that provides a financial return to the City and also spurs complementary private sector development. In particular, the City is hoping to create an environment that becomes the focus for a wide range of cultural and civic activities within the Downtown. In doing this, it is the City's goal to create a Convention Center Cultural District that will be attractive not only to out-of-town visitors but to citizens through the greater Raleigh region and to Downtown residents and workers.

The work program for the consultant team included:

- Linking the development community, property owners, stakeholders and citizens in the place making process and the formation of a development strategy.
- Preparing a District Master Plan that guides future public and private investments and advances the goals of the Livable Streets Plan,
- Preparing a conceptual design for the southern half of Fayetteville Street to the BTI Center.
- Conducting a feasibility analysis and proposing a market tested development program for six city owned parcels in the vicinity of the BTI Center and Convention Center. (see map on pg. 16)

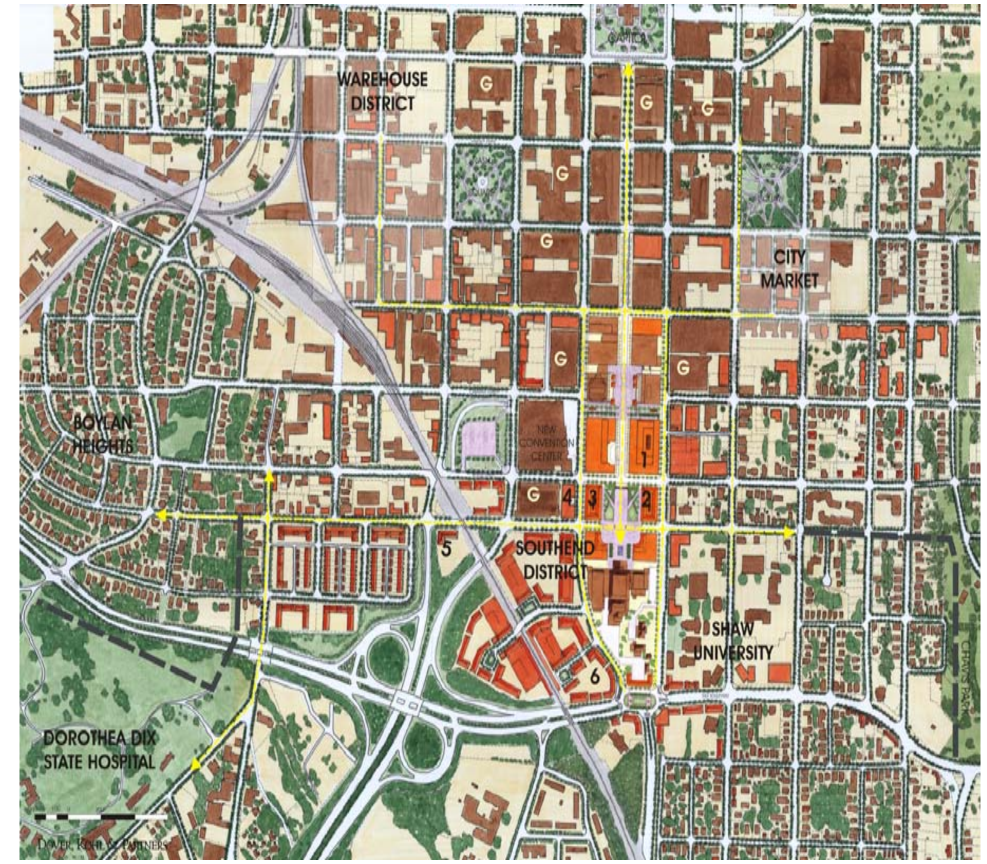
To begin the task of carrying out this goal, the City contracted with HDR and Hunter Interests to prepare a master plan document for the District. HDR, teamed with Dover Kohl & Partners, would be responsible for the planning and urban design elements of the plan; Hunter Interests would conduct economic research, a real estate market analysis, and devise a development program and implementation strategy for achieving the desired plan.

The consultants met regularly with City staff and officials, local business owners and real estate interests, and members of the public. The focal point of the planning process was a four day design charrette held in the existing Convention Center during the second week of September. Open to the public, the charrette enabled citizens, officials, business leaders and other interests to participate in helping create and revise the ideas and strategies that are presented in this document.

The overall Plan is based on a number of core ideas.

- The area around the new Convention Center is one of the most important and valuable places within the Downtown. Under-developed at present, the redevelopment of this district within the next

Aerial of Downtown Raleigh, NC



Masterplan of Downtown Raleigh Six site program

five to ten years will have long-term implications for the Downtown, the City and the Region for decades to come.

- The City owns six strategic parcels within the District. These can and should be used to help instigate and implement the overall objectives of the Plan as described herein, but the City should strive to leverage its investments to achieve optimal private-sector involvement in carrying out the Plan.

- The new Convention Center Cultural District should be developed with multiple users in mind: conventioneers and out-of-state tourists coming to the new Center for meetings, trade shows and events; regional visitors attending cultural events at the BTI Center (or the Convention Center) and elsewhere; City residents looking for an urban experience; residents and business people who spend much, if not all, of their day in the Downtown.

- The new District must be urban in scale, design and detail. It must be pedestrian-friendly, with vibrant street life, active retail, restaurant and entertainment uses, and it must have a distinctive cultural character that reflects Raleigh's unique history as well as its culture.

- The Convention Center Cultural District must fit into Downtown Raleigh as a whole, and must help create linkages to adjacent neighborhoods and districts, in particular, Boylan Heights, the East Side, and Dorothea Dix. Within the Downtown, the District must help strengthen the integration of other unique areas including the burgeoning Warehouse District and the City Market area.

- The spine of the District, and of the Downtown as a whole, is Fayetteville Street. Once the commercial, social and civic heart of the community, this Street, has declined in importance in recent decades, but is poised to once again reclaim its role as an exciting and vibrant urban center, with diverse commercial and cultural activities and a true sense of place. As the spine, it will also help organize the relationship between the Convention Center Cultural District and the rest of the Downtown.

- The Convention Center Cultural District must play a role in helping revitalize and rejuvenate residential development within the Downtown. While this District cannot and should not attempt, on its own, to cater to all of the potential residential markets, the District can clearly play a role in attracting and retaining certain key elements of an urban residential populace, thereby reinforcing the other non-residential uses anticipated for future development.

This document lays out the framework for reinvigorating and reinventing the area around the proposed new Convention Center and turning it into a true urban destination for Raleigh. It includes a wide variety of drawings, sketches, potential development programs and other recommendations that together begin to create an image of what the District can become.

It ends with a series of recommendations for follow-up work that should be undertaken, both to reinforce the validity of the overall strategy for the District itself, and to help strengthen the identity and functionality of Downtown Raleigh as a whole.

Introduction

The Livable Streets Plan detailed a broad vision for the revitalization of Downtown Raleigh. The Five in Five implementation priorities included Building a New Convention Center & Headquarters Hotel, Creating a Fayetteville Street Renaissance, Improving the Pedestrian Environment and Enhancing Downtown Management and Undertaking Regulatory Reform.

This district master plan reflects the spirit of the process, the guiding principles and the revitalization strategies of Livable Streets Plan. It directly advances and physically connects all five of the key implementation priorities. The plan was built on strong public and stakeholder input, realized using the charrette process, filtered by market feasibilities and offers key next steps to guide the implementation.

Community Involvement

Successful urban redevelopment projects entail substantial amounts of interaction between the clients, be they public sector or private sector, and the community. For a downtown project of the scope and significance of the new Convention Center, this includes not only the residents, property-owners and business people immediately adjacent to the redevelopment area in question, but the community at large, including the residents of the city as well as the surrounding region.

To help facilitate such community involvement, the City of Raleigh hosted a series of focused meetings in August 2004, inviting community members representing a diverse range of interests and viewpoints to meet with members of the consultant team and the City. From these meetings, the team was able to develop an initial understanding of both the concerns and expectations of the public. A summary of these contacts is contained in the appendix to this document.

The Downtown Raleigh Alliance helped to facilitate meetings with members of the development community. A wide range of development interests engaged in one on one and small group interviews held throughout the months of August and September. A summary of these discussions is included in the Hunter Interest report.

The physical plan was developed in a series of public workshops and continued focus group meetings held the week of the ` of September. The Raleigh Convention Center hosted the design team office, the focus groups and all of the presentations. The charrette process refined the plan by using a series of midweek working pin ups to engage the public and test ideas. The Master Plan and Development Strategy detailed in this document and the accompanying Hunter Interest report represent the consensus reached as result of the public place-making process balanced and filtered by market realities.

Downtown Raleigh Charrette

Downtown Raleigh Charrette

Community Interests

In general, participants in the initial workshops are optimistic about the state and the future of Raleigh, in general, and the Downtown and Convention Center Cultural District in particular. Respondents lauded the low crime rate, the nice weather, the easy mobility, and highlighted the nice "small town" feeling that is reinforced by the scale of downtown. The numerous civic and cultural events at the current facilities were cited, as was the role of the Fayetteville Street Mall as the City's "living room." Finally, most participants were aware of and supportive of the ongoing renaissance in downtown housing options.

Workshop participants did voice a number of concerns. Way-finding within the Downtown was seen as difficult, with a particular concern for the ability to find effective parking. Many hinted at a general perception that downtown is not safe, and others pointed out that the Downtown is simply not competitive with suburbia in terms of critical qualities, including perceived safety and ease of parking..

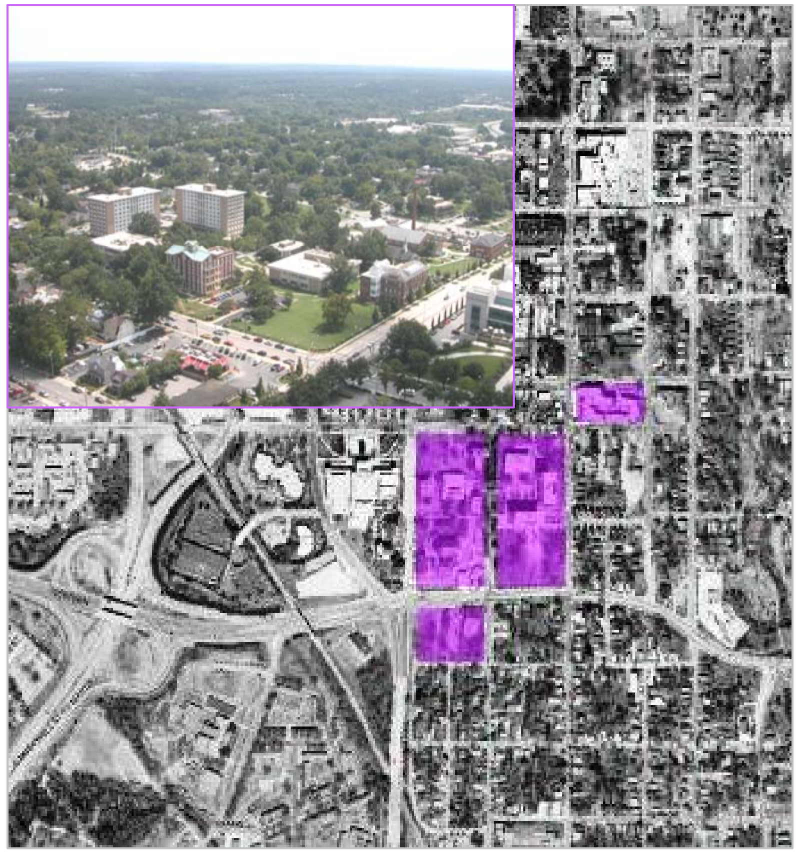
While recognizing the influx of housing in recent years, some respondents felt that these units were intended only for a limited audience of young childless professionals and "empty nesters." Affordable rental units were cited as an unfulfilled and necessary segment of the downtown market.

Specific to the Convention Center Cultural District, people noted that there are not enough hotel rooms within close proximity and not enough things to do. When people do try to walk between the District and other attractions such as the City Market and the Warehouse District, this walk is regarded as uncomfortable, not interesting and potentially dangerous.

Goals and Visions

In looking at the short- and medium-term future of the Convention Center Cultural District, meeting participants came up with a long list of suggestions and recommendations. A primary demand is for more activities oriented towards visitors to the District, including locals and regional visitors as well as people coming in for conventions and conferences. Primary among these activities are restaurants, entertainment, boutique shopping and safe, inviting public spaces.

Many people felt that the District, and the Downtown, need to become more pedestrian-friendly, with better signage, better lighting, and better streetscaping. Others wanted to see additional destinations within the District and the Downtown, including a library, new museums, movie theaters, etc. At the same time, additional infill housing was seen as vital, including residential options across a broader spectrum of economic and demographic types.



Aerial of Shaw University

BTI Center

Progress Energy Center

Overview of Downtown Projects

The area designated as the "Convention Center Cultural District" sits at the southern end of downtown Raleigh, and recently become the focus of considerable interest. For purposes of this plan, the district is defined as loosely bounded by Martin Luther King Boulevard at the south, by Davie Street to the north, by the McDowell-Dawson one-way pair on the west and by Blount Street to the east. The central axis of the district is the line connecting the State Capitol and the BTI Center. For several blocks, this axis runs along Fayetteville Street, which is terminated at the site of the current Convention Center.

This current center is scheduled to be razed and replaced with a larger, more state-of-the-art facility on the block immediately to the west. The new center will enclose 560,000 square feet of convention space including a 150,000 square foot exhibit hall, 30,000 square foot ballroom and 30,000 square feet of meeting rooms. A +/- 4000 seat festival site is planned on the expansion block immediately to the west of the new center. The site of the western half of the current center is scheduled to become the headquarters hotel. The four star Marriott brand hotel will contain 400 guest rooms, a signature bar/restaurant, 5000 square feet of retail and 15,000 square feet of meeting rooms including a 9000 square foot junior ballroom. The hotel will be directly connected to the convention center through a pedestrian and service link underneath Salisbury Street.

The city also recently undertook the expansion and redesign of the BTI Center for the Performing Arts. The new center was built in 1996. The $40 million dollar renovation added three new theaters, the 1700 seat Meymandi Concert Hall, the 600 seat Fletcher Opera House and the 170 seat Kennedy Theater. To serve these new needs and the 2300 seat memorial auditorium, the 1030 space BTI Parking Deck was completed in 2002. Average yearly attendance for this facility is approaching 400,000 people.

In addition to these public developments, Progress Energy has recently completed a full-block headquarters facility less than a block from the current Convention Center. Located on the block bounded by Wilmington Street to the west, Blount Street to the east, Davie Street to the north and Cabarrus Street to the south, this project includes a 19-story headquarters office building, a new parking deck with 1,064 spaces, and 66 residential units built into a "liner" building that fronts the parking deck along Blount Street. The new Progress Energy facility sits about a block north and west of the campus of Shaw University, an historic African-American educational institution of higher learning. The University currently houses just over 1,200 students on its compact campus, but has plans to double the on-campus population over the next ten years and is currently acquiring additional property near its facilities.

The aerial photo of Downtown shows a spine of taller structures along the Fayetteville Street axis. At the northern end, these structures are primarily State office buildings and government facilities. South of the Capitol, the buildings are primarily private sector offices including the Wachovia Tower, the BBT Center and the older Progress Energy tower. The progression of tall buildings ends at the current convention center, which is separated from the BTI Center by a full-block surface parking lot. The BTI Center, for all intents and purposes, serves as the southern anchor of the Downtown.

B Street Conditions

A Street Conditions

Existing Conditions

Transportation and Street Use Analysis

Downtown Raleigh is defined by an orthogonal grid of east-west and north-south streets. For the most part, blocks are approximately 420 feet square, with many minor variations. The significant variation occurs between Wilmington Street and Salisbury Street, where Fayetteville Street creates a pattern of two narrow parallel blocks, approximately 210 feet wide.

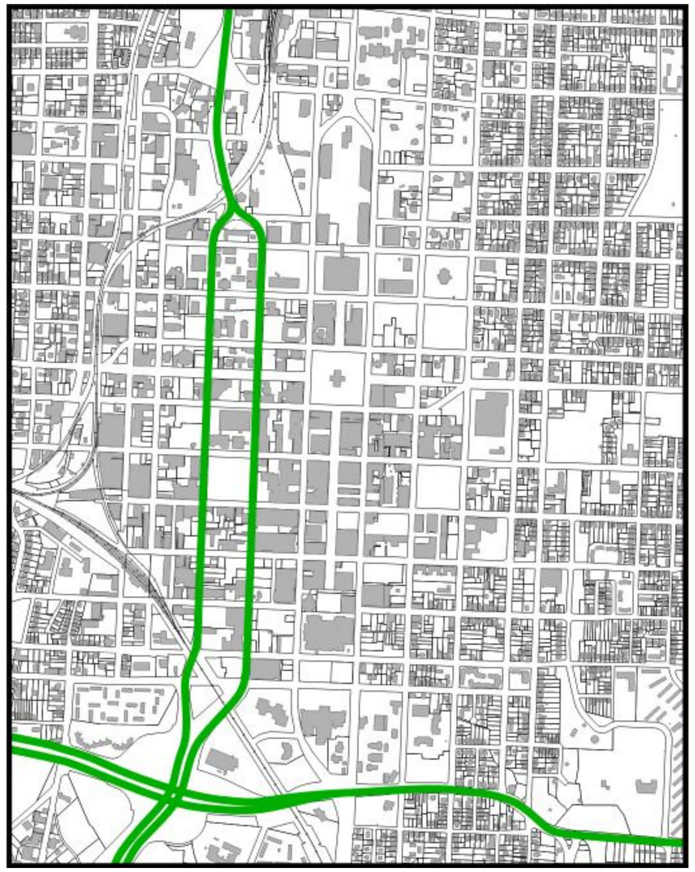
Vehicular Streets

A taxonomy of streets –has been developed as a means of differentiating among the different types of urban streets found in Downtown Raleigh. "Vehicular Streets" can be defined as those routes whose primary function is to carry large amounts of relatively continuous traffic, with little attention given over to pedestrian comfort or amenities. Depending on location and purpose, Vehicular Streets may deliberately look to exclude any form of pedestrian activity.

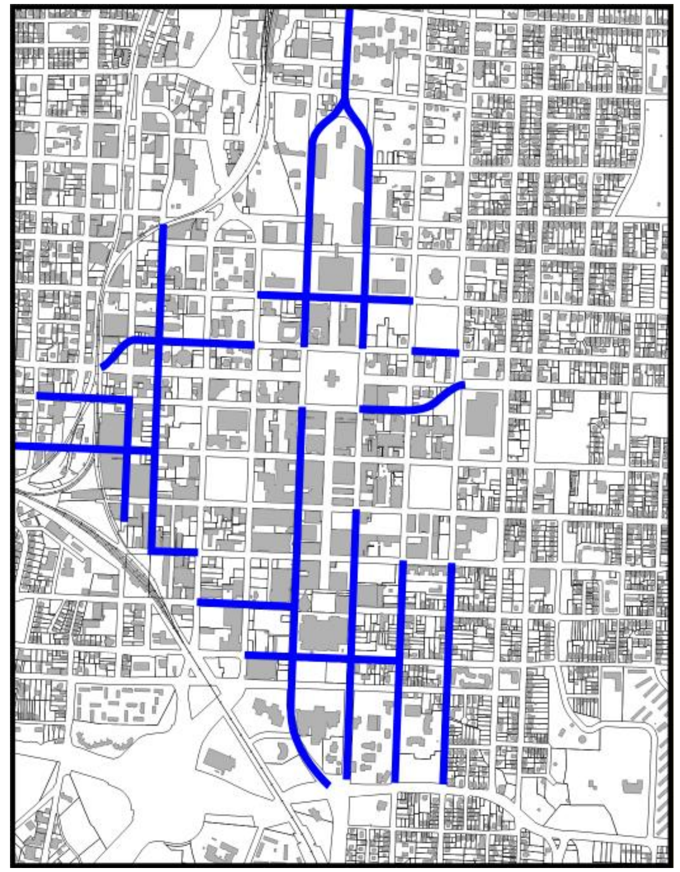
Most streets within the Downtown carry a mixture of pedestrian, transit and automotive traffic. Some cater to one mode more than another. Many of the streets within the Downtown originally carried two-way traffic, but many have been converted to one-way traffic as a means of increasing their capacity to carry more traffic. Within the Convention Center Cultural District there are a number of prominent one-way pairs:

- McDowell and Dawson Streets (north-south)
- Salisbury and Wilmington Streets (north-south)
- Lenoir and South Streets (east-west).

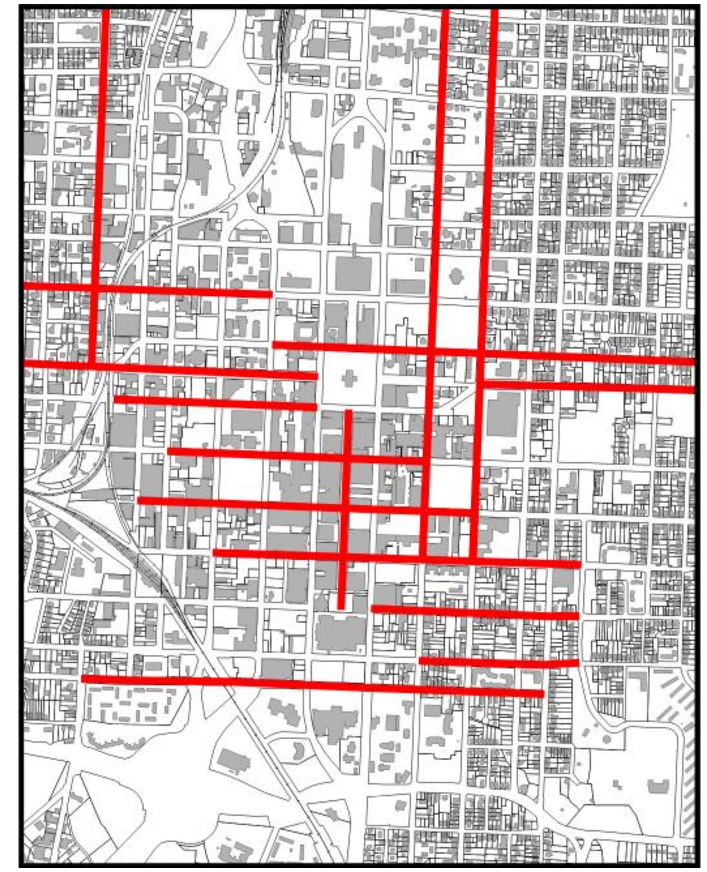
The two sets of north-south streets carry considerably more traffic than the east-west combination. McDowell-Dawson, in particular, functions as significant elements with a regional mobility system, facilitating easy movement to, from and through the Downtown. Salisbury and Wilmington Streets fall immediately to the east and west of Fayetteville Street and function somewhat as service roads for properties along Fayetteville. Lenoir and South Streets tend to serve as feeder routes to the more-heavily traveled north-south pairs, although they also link to the residential neighborhoods immediately to the east and west of the Downtown.



Aerial of C Streets



Aerial of B Streets



Aerial of A Streets

Secondary Pedestrian Streets

"Secondary Pedestrian Streets" are those streets that are primarily automotive in function and design, even though they may also carry pedestrians. While the street section along a Secondary Pedestrian Street might be only nominally different than along a more pedestrian-friendly street, the sense of place along a Secondary Pedestrian Street and the overall character and function indicates that it is primarily a route for vehicles. Curb cuts, service entries, ingress and egress to parking garages and lots, drive-through lanes for businesses, minimal ground level fenestration and architectural relief, are all characteristics of Secondary Pedestrian Streets.

Primary Pedestrian Streets

The heart of a vibrant downtown or district is its Primary Pedestrian Streets. These are the streets that lend themselves to walking and other urban activities such as outdoor dining, window shopping, sitting, resting and generally participating in city life. These streets are both implicitly and explicitly seen as safe for pedestrians. Generally, they include wide effective sidewalks, a coherent system of lighting, landscaping and streetscaping, on-street parking, intersections that balance pedestrian/vehicular needs and slow-moving traffic that is often two-way instead of one-way.

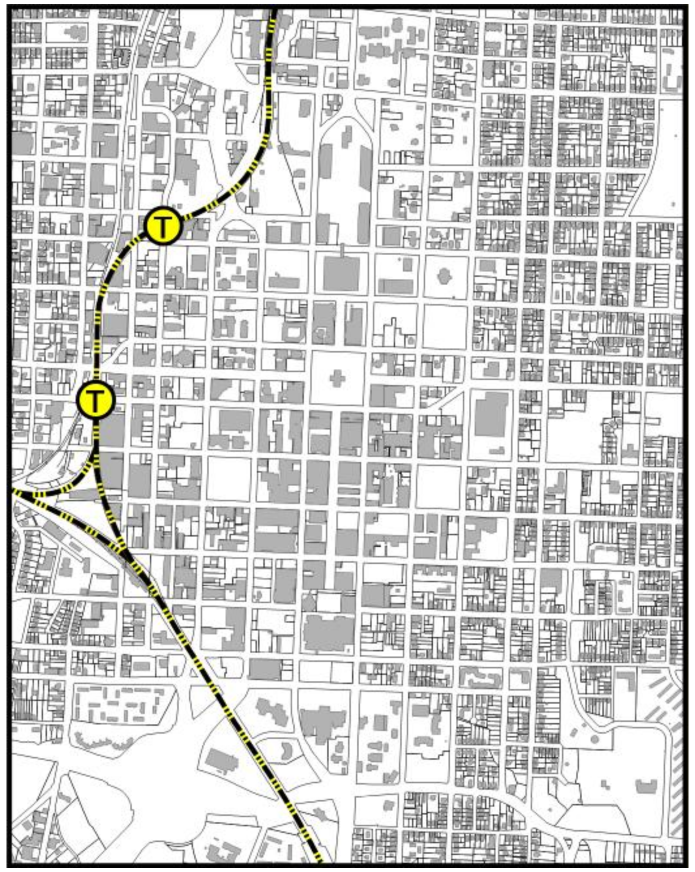
Downtown Raleigh Streets

A successful downtown generally has as least as many Primary Pedestrian Streets as Secondary Pedestrian Streets, and oftentimes, more, with relatively few dedicated Vehicular Streets. The diagrams included here indicate the location of different types of streets within Downtown Raleigh, in general, and the Convention Center Cultural District area in particular. The diagrams are color-coded to indicate the different types of streets and were developed on a block-by-block analysis. In some cases, a street that is rated as a Primary Pedestrian Street for several blocks shifts to being a Secondary Pedestrian Streets along other blocks. This is because the pedestrian character of the street has changed significantly, even if the ROW has not changed dramatically. An example might be a street that includes surface parking for the entire length of one or more blocks, or that suddenly includes a variety of Secondary Street characteristics such as blank walls at ground level, ground level parking garages, truck delivery gates, etc.

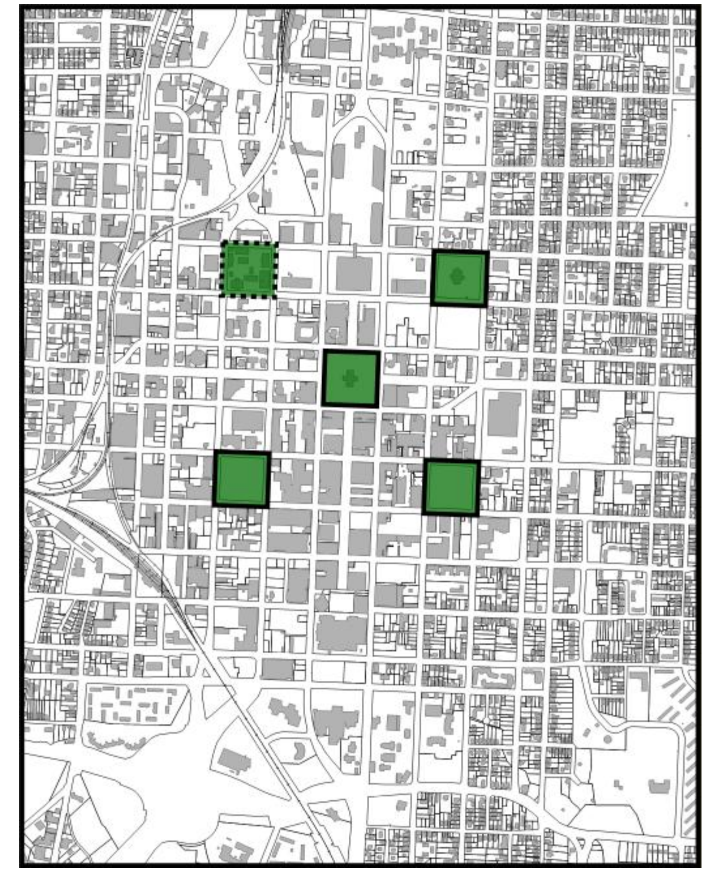
Downtown Raleigh includes two significant Vehicular Street systems: the Dawson-McDowell one-way pair, and MLK/Western Boulevard. While both Dawson Street and McDowell Street originally carried two-way traffic, to facilitate the flow of traffic through and to the Downtown, they were eventually designated as one-way streets. McDowell Street moves north and Dawson Street moves south. Both streets include a minimum of three-lanes of relatively fast-moving traffic, and while sidewalks and landscaping are included on both streets, they are seen by both pedestrians and drivers as dominantly for vehicles.

Martin Luther King, Jr. Boulevard is the major east-west artery leading through and to the southern half of Downtown, and is designed almost as a high-speed suburban arterial road. At the intersection of MLK and Wilmington Street, the street is seven lanes wide, including dedicated turning lanes.

As the diagrams indicate, the remaining streets within the Downtown are fairly evenly split between primary and secondary pedestrian streets. Within the Convention Center Cultural District, South Street has the potential to function as an effective east-west primary pedestrian street linking parking, neighborhoods, the



Aerial of rail tracks and future light rail system



Aerial showing five full-block squares

BTI Center, Shaw University and eventually on to the Dix campus. Progress Energy's new headquarters, the potential expansion of the courthouse and the development of new housing and street retail at Carlton Place give Davie Street added strength as a primary east west pedestrian street.

In the past, Fayetteville Street was the most important shopping and ceremonial street in the city. Its redesign and reprogramming has been driven by the desire to restore its role as the great street of Raleigh. In addition to the projects proposed as part of this plan, the city is currently offering considerable incentives to restore facades and reinvigorate the street level uses. New restaurants, retail and special uses are planned or underway – including a street level television studio and new design for the courthouse plaza. The federal government has budgeted $2.5 million dollars to restore the Century Post Office.

The front door of the new convention center, the hotel ball and meeting rooms and an expanded county courthouse will all front on Salisbury Street. The new Progress Headquarters, the Hudson and both the remaining undeveloped privately held sites on Fayetteville Street all have significant frontage on Wilmington Street. These major new pedestrian generators, the realization of private redevelopment opportunities and the Livable Streets goal of improving the pedestrian environment warrant a reconsideration of the nature of these streets. The planned lane reductions for the addition of on-street parking on Wilmington and Salisbury are an important step making them friendlier to pedestrians.

Transit Analysis

In addition to the network of surface streets, Downtown Raleigh also includes the remnants of an effective railroad network, part of which passes through the Convention Center Cultural District. This line, which splits in the Warehouse District to the northwest of the Cultural District, is intended to become part of the East Trans Regional Commuter Line in future years.

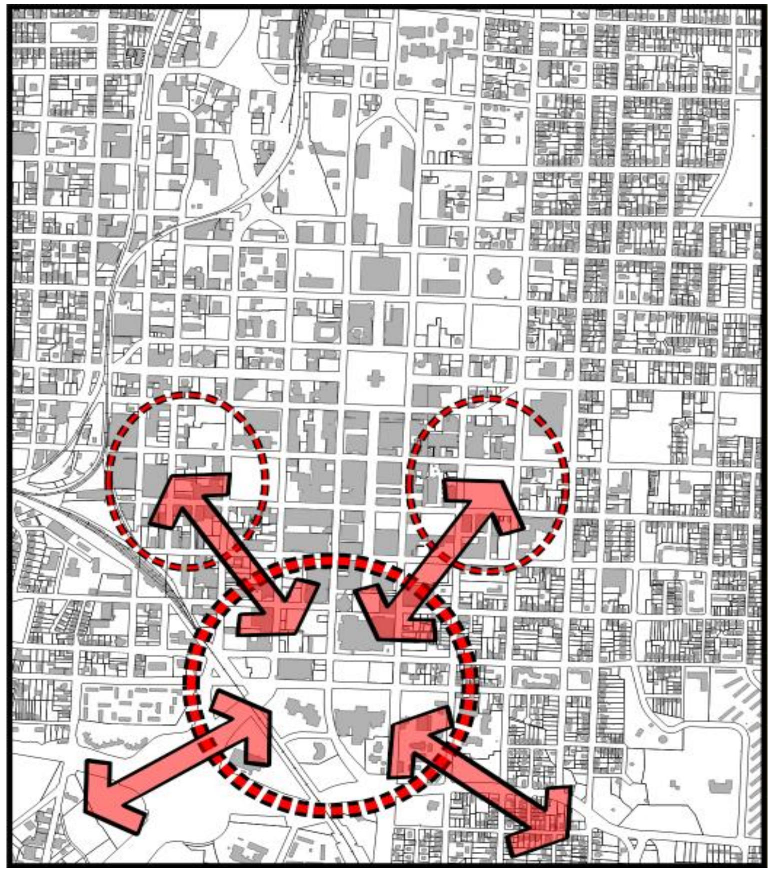
The new TTA Regional Rail System is planned to become operational in 2008. The nearest stop to the Conventional and Cultural District is the downtown station located 6 blocks to the north at the western end of Hargett Street.

The CAT bus system operates throughout the downtown street system. Major routes are concentrated on the one way pairs of Hargett/Martin and Wilmington/Salisbury streets. The downtown hub is located four blocks northwest of the district at the Moore Square Station.

Parking Analysis

The study area currently has an adequate supply of both public and private parking facilities. However, the parking situation is in a state of change. Four of the core sites the city is offering for redevelopment and a majority of the two block convention center site are surface parking. These resources will be removed from the current supply shortly. Recent additions to the supply include the 1065 space Progress Energy deck in 2004 and the 1030 space BTI Center deck in 2002. New on-street parking spaces will be added as part of the conversion of Wilmington and Salisbury Street from three to two lanes and the reopening of Fayetteville Street.

Significant parking resources will be needed to accommodate the requirements associated with the new Convention Center, headquarters hotel, increased visitation to Fayetteville Street businesses, and the



Aerial showing linkages between Convention Center Cultural District and Warehouse District & City Market

developments recommended in this study. A preliminary assessment of demand and displacement for these sites has been completed.

In the short term, the concentration and near simultaneous construction of Fayetteville Street, the hotel and convention center will require creative provisional parking solutions. Existing resources will be displaced by not only will the sites themselves but also by the significant space needed for the required staging areas. Large numbers of construction workers will also have to be parked.

Pedestrian and Streetscape Analysis

The Livable Streets Plan has moved improving the pedestrian environment to the fore front of downtown planning efforts. The MAB Livable Streets Transportation Plan includes a pedestrian improvement Tool Kit that offers a wide variety of interventions designed to make pedestrians more comfortable walking within the downtown.

Currently, a large amount of surface and structured parking inhibits the movement of pedestrians through the district and into the northern reaches of downtown. Pedestrians find little interest in walking past parked cars and blank walls. The largest generator of potential pedestrians – the BTI Center patrons are blocked from exploring Fayetteville Street by the current convention center.

The close in location of major parking resources, while convenient for users of the Convention Center and BTI Center, further drain potential pedestrians from the street. Locating new parking resources just alittle bit further (even one block helps) from the end destinations has the potential to add significant pedestrians to the street stimulating the development of street level restaurants and retail.

The existing streetscape conditions are generally good. They follow the regular pattern adopted as part of the Downtown Streetscape Plan in 1991. All downtown sidewalks have recently been inspected as part of an overall effort to address conditions of the pedestrian environment. However, no overall improvement strategy has been undertaken within the downtown.

Public Space Analysis

The original Christmas Plan for Raleigh showed five full-block squares within the pattern of streets. The central Union Square was, and is, the location of the State Capitol, terminating Fayetteville Street to the north, New Bern Street from the east and Hillsborough Street from the west. Offset from the capitol by two blocks in both cardinal directions are four additional squares, two of which are still in existence as open squares. None of these squares sits within the Convention Center Cultural District, but two –Moore Square to the northeast and Nash Square to the northwest—are within easy walking distance, and both are located within districts that are currently experiencing significant redevelopment and revitalization.

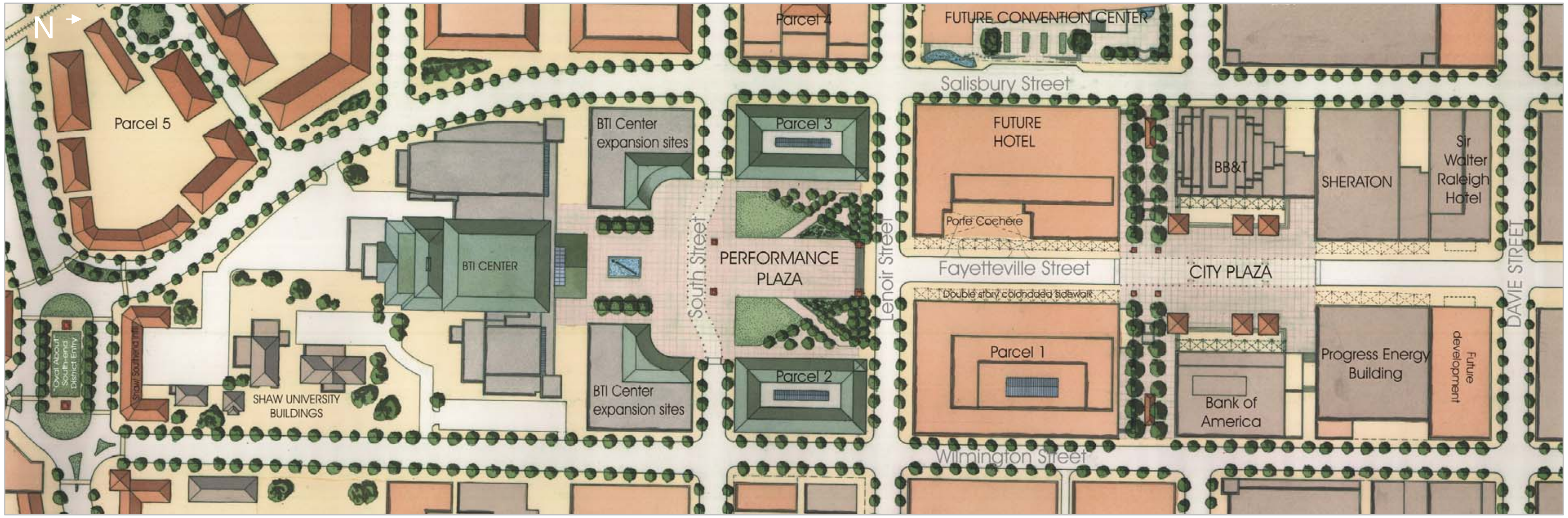
In addition to these features of the original Plan, the Study Area includes a number of formalized public spaces including the Fayetteville Street Mall, which links the Capitol to the Convention Center, terminating at the Convention Center Plaza, a pedestrian cross link running along the northern front of the current convention center from Salisbury to Wilmington Streets and Lichtin Plaza in front of the BTI Center. To the southwest of the Study Area sits the Dorothea Dix Hospital, on a 425 acre campus with rolling hills and a view back to the south side of Downtown Raleigh. The campus includes over 120 buildings, most built between 1910-1930 and 1960-1980. The State of North Carolina is phasing the hospital functions out on the campus. The entire site is currently being studied for a variety of potential future uses.

Linkages

Moore Square, lying to the north east, is anchored by Exploris Museum, the Transit Station and the City Market. Nash Square is home to the Raleigh Municipal Building and sits directly east of an emerging collection of mixed-use buildings known as the Warehouse District. Both districts are logical destinations for visitors to current and future Convention Centers and the BTI Center. In both cases, however, the experience of walking from one of the centers to either of the squares is regarded as unappealing by most and potentially threatening by some. Moving north and west from the BTI Center to Nash Square, one has to cross both McDowell and Dawson Streets with their heavy volume of fast-moving traffic, and pass a number of partially or completely vacant blocks. Moving north and east towards Moore Square, there are fewer vacant lots and traffic is somewhat calmer, but the character of the streets is still less than pedestrian-friendly.

Shaw University is an important anchor in the south east area of the district. The university is in the process of updating its master plan to accommodate planned growth that will double its on-campus enrollment to 2500 students. The plan calls for the university to grow both to the north and south from its existing campus. In the north, the expansion blocks may directly abut a planned African American Cultural complex that includes the Pope House. In the south Shaw will continue to strengthen its presence across MLK Boulevard. The university and the city share a common gateway at the intersection of MLK/Western Boulevard and Wilmington/Salisbury Streets. Its current configuration hinders the pedestrian connections to the south. Establishing strong visual and physical links to the campus and any planned redevelopment in the vicinity of the Pope House will complete the urban design strategy to the east.

Finally, the redevelopment of the aforementioned Dorothea Dix Hospital facilities immediately southwest of the Convention Center Cultural District is sure to have implications for the use and composition of the District. Currently, while there is a direct and dominant visual link between the two areas, the transportation connections are tenuous and convoluted. Depending on the type of use that is ultimately decided upon for the Hospital facility, the City may wish to create more direct physical links between the Dix properties and the Convention Center Cultural District.



Plan drawing of Fayetteville Street

Urban Design Recommendations

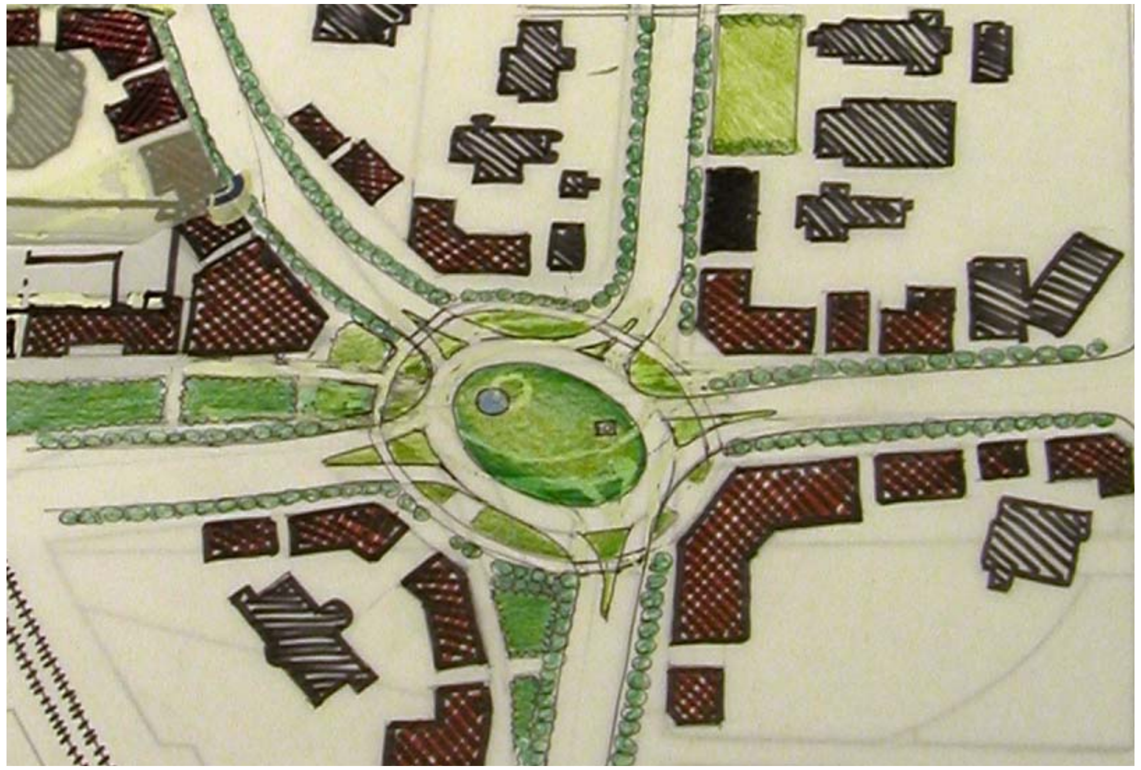
Fayetteville Street

The demolition of the current Convention Center will once again allow for a visual connection between the State Capitol and the BTI Center six blocks to the south. The overwhelming consensus is this visual link be opened and that every effort be made to accentuate the relationship between the two historic structures that terminate it.

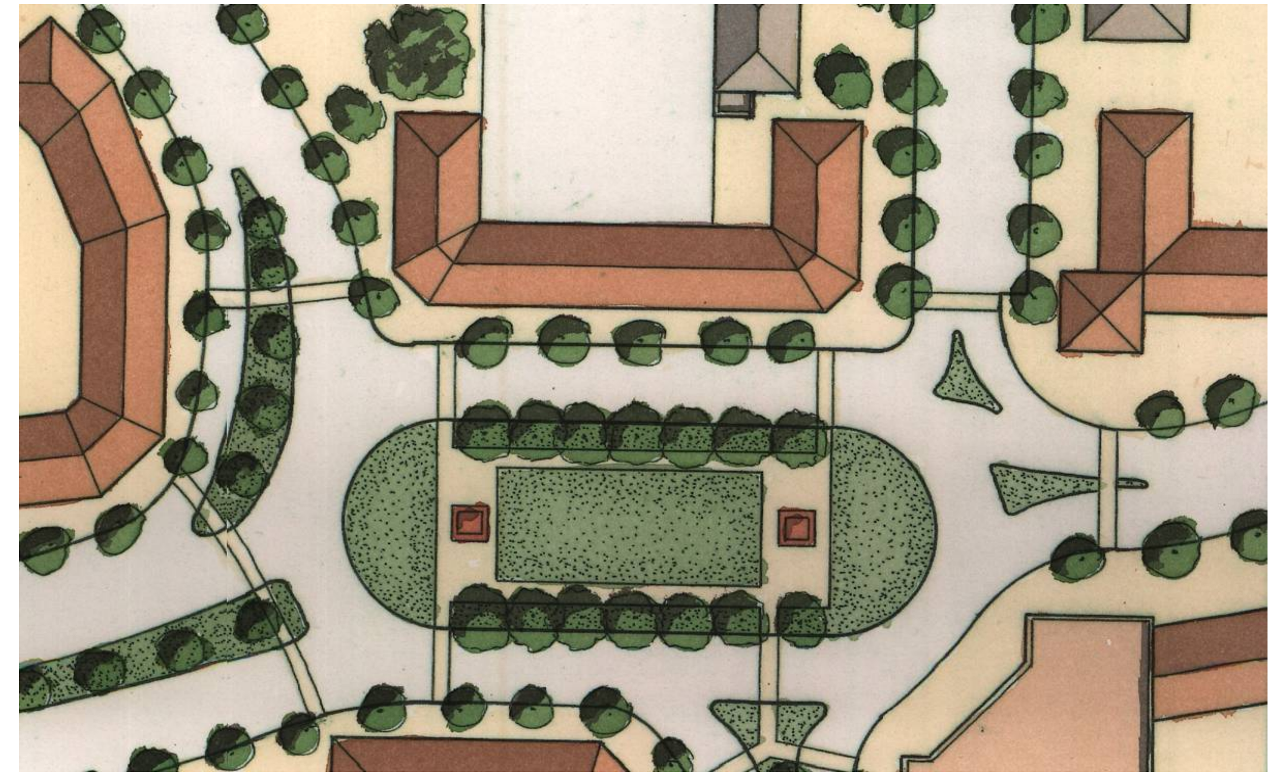
Plans are complete, the bid process is underway and construction is planned to begin soon on the redesigned Fayetteville Street between the Capitol and just south of Davie Street, three and a half blocks to the south. The decision of whether or not to allow vehicular traffic back on the three additional blocks between Davie Street and Lenoir Street has yet to be officially determined. It is recognized that this decision will entail additional studies and potential expenses, since a subterranean parking structure currently sits below the current Fayetteville Plaza and would have to be re-engineered to support vehicle traffic.

The question of whether Fayetteville Street should be continued as a through street past Lenoir Street all the way to South Street has generated considerable discussion. Options include continuing the street all the way through to South, terminating the street at Lenoir with a new civic square or a flexible combination of both – creation of a mixed use street/plaza capable of being closed for hosting events or carrying a traffic volume equal to the northern blocks. Selecting the preferred option can be deferred until the study of the two way conversion of Lenoir and South Streets is completed and the determination of an RFP process for the adjacent sites is made.

Recommendation: *The visual link between the State Capitol and the BTI Center should be restored. Fayetteville Street should be re-opened to two-way vehicular traffic from Davie Street south to Lenoir Street. The street section, streetscape details, public art strategy and landscaping selections should be continued from the design of Phase I. The design of the street and private development should support a broad range of pedestrian activities and seek to enliven adjacent public spaces.*



Plan drawing of MLK Roundabout – Alternative A



Plan drawing of MLK Roundabout – Alternative B

Transportation and Street Use

Intersection of MLK Boulevard with Wilmington and Salisbury Streets

The intersection between two-way traffic along MLK and the north-south one-way pair of Wilmington and Salisbury Streets forms a very important node at the southern end of the Convention Center Cultural District as well as of the Downtown as a whole. This intersection forms the dominant gateway into the District from the south and is also crucial to the presence and functioning of Shaw University.

Currently, the geometry and design of the intersection promotes high-speed vehicular movement, is unfriendly to pedestrians, and is nondescript in terms of place-making. This intersection needs to be redesigned and rebuilt to facilitate smooth and effective 35 MPH traffic flow, to create a distinctive entry to the Downtown, and to create a pedestrian-friendly and aesthetically pleasing environment.

Two alternatives were explored as part of the design process. The first shows an oval traffic "circle" at the intersection, with traffic islands and other intersection treatments intended to direct traffic flow and facilitate pedestrian movement. To the extent practical, new buildings on the parcels adjacent to the traffic oval are built to their lot lines in order to create a distinct edge to the entire intersection.

In reviewing this initial concept with City staff and outside engineers, the design team revised the initial concept to create a more symmetrical oval form, oriented due east-west along the path of MLK. Traffic islands and medians are again included to help direct traffic flow and create a more effective pedestrian realm. Again, future developments on adjacent parcels are encouraged to build directly against the edge of the right-of-way to more effectively frame the intersection and enhance both the overall sense of place and the sense of arrival.

Recommendation: *The intersection of MLK with the Wilmington-Salisbury one-way pair needs to be re-thought, with an eye on calming traffic while still facilitating traffic flow, on creating an enhanced sense of arrival and of a gateway into the Downtown, and on enhancing the overall pedestrian experience.*

Street Patterns & Pedestrian Mobility

McDowell and Dawson Streets function as a one-way pair system moving traffic into and through the Downtown. Each street carries well over 20,000 cars per day, and while the Consultant Team discussed the merits of attempting to convert these streets back to two-way traffic, within the framework of the Downtown as a whole, it was felt that the current situation might best be left as is, with additional energies focused on making the walk along and across each of the streets more pleasant and pedestrian-friendly.

The same discussion was had for the second set of one-way pairs within the Convention Center Cultural District: Salisbury and Wilmington Streets. These streets bring vehicle traffic into and through the core of the Downtown, and while they do not carry as much volume as the McDowell-Dawson pair, this couplet is a major element within the downtown transportation pattern. Again, the Consultant Team felt that energies should be directed not a converting these streets back to two-way traffic but to enhancing the pedestrian experience along and across each of the streets. Properly calmed, with on-street parking and additional pedestrian amenities, each of these streets could carry in excess of 30,000 cars per day at a steady 30 MPH rate, and have little negative impact on adjacent pedestrian activities.

Recommendation: *Maintain the McDowell-Dawson one-way pair as a dominant vehicular route moving north-south through Downtown. Detail designated intersections (see below) to facilitate pedestrian mobility across the streets. Allow Salisbury and Wilmington Streets to remain as one-way streets, but redesign them to create greater pedestrian interest and comfort and to facilitate additional pedestrian flow.*

Lenoir Street and South Street

There is a single east-west one-way pair within the District: Lenoir and South Streets. Neither of these streets carries more than 10,000 cars per day and neither serves a regional mobility function. Here, the Team felt that the streets should be converted back to two-way traffic, with special emphasis on calming the flow between Blount Street and McDowell Street. The section along both streets between Wilmington and Salisbury Streets should be treated as potentially part of a larger civic space, with significant traffic calming, the use of decorative features and paving materials, and other identifying elements.

By converting Lenoir and South Streets to two-way flow, either of these two streets could be temporarily closed for special events, without seriously impeding the ability of vehicles to move east and west across the District. South Street, in particular, should be thought of as part of the civic space that the Team is recommending for Sites 2 and 3 and the front of the BTI Center.

In addition, the current one-way traffic has implications for access to and egress from buildings fronting on to each of the streets. For example, based on the most up-to-date designs for the proposed Convention Center Hotel, cars leaving the hotel parking garage would need to turn right on Lenoir Street, turn right again on Salisbury Street, continue north all the way to Davie Street, turn right to Fayetteville Street and then make another right and head back to the main entrance to the hotel. This entails a trip of over a quarter of a mile to travel a net distance of about 150 feet. The same factors would come into play for other new and proposed developments fronting on both of these streets.

Recommendation: *Return Lenoir Street and South Street to two-way traffic along their entire lengths. This should have nominal impact on traffic flow through the Convention Center Cultural District, should greatly facilitate ingress to and egress from properties that front onto each of these streets, and would permit the temporary and occasional closure of one of the two streets for public activities.*

Infill along Davie Street

Project	Square feet	Dwell. Units	Parking Spaces Ord.[1]	Rates[2]	Shared[2]
Site 1					
Urban Entertainment Center	150,000		*750*	*600*	*420*
or *Civic/Mixed-Use Project*			*396*	*298*	*217*
Library/Conference	40,000		133	133	52
Residential Units		150	263	165	165
or *Residential/Health Club*			*430*	*384*	*328*
Residential Units		150	263	165	263
Health and Fitness Facility	50,000		167	219	65

Table 1
Parking Needs Assessment

[1]Raleigh Zoning Ordinance base parking requirements

[2]"Parking Generation", 2nd Edition, ITE

Source: Hunter Interests Inc., City of Raleigh, Institute of Traffic Engineers

Davie Street Improvements

Davie Street could play a role as the major link between the Convention Center Cultural District and the Warehouse District. Currently, nearly all of the south-side frontage between Salisbury Street and Dawson Street is vacant. These lots are ideal locations for a variety of smaller-scale mixed-use infill redevelopment. The City should promote the development of continuous three- and four story structures on the sites, with retail, restaurant or commercial uses on the ground floor and residential or small scale office uses above.

Recommendation: *Develop a redevelopment plan for the vacant parcels along the south side of Davie Street between Salisbury and Dawson Streets that will support the use of Davie as a Primary Pedestrian Street, linking Fayetteville Street with the Warehouse District. This plan should discuss the type and character of infill development to be built along Davie Street as well as provide guidelines for streetscaping and landscaping within the public Right-of-Way.*

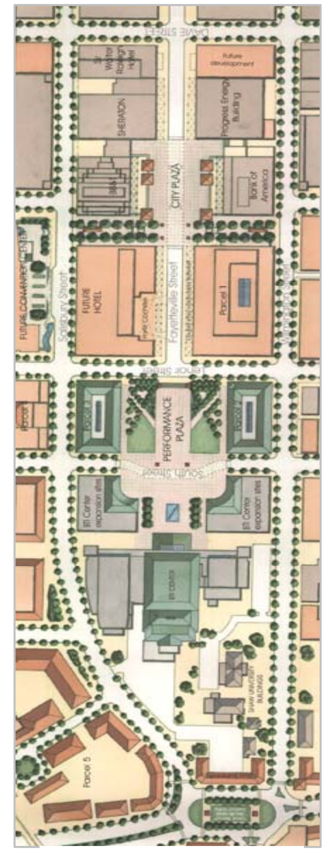
Parking Needs Assessment

Utilizing parking ratios sanctioned by the Institute of Traffic Engineers, parking demand for each of the five Conceptual Building Programs was estimated. Parking demand was also estimated utilizing an application of the Raleigh Zoning Ordinance to proposed uses. The opportunity for shared parking was also incorporated into the needs assessment. Based on the application of these variables to the five Site Specific Development Programs (some with development options/variables themselves) total net new required parking spaces are estimated to be between approximately 900 and 1,700. The wide range is driven by the amount of shared parking (more shared lowers count), ultimate uses associated with Site 1 (i.e. UEC has much greater need than residential), and rate basis (current applicable zoning drives higher rates than the ITE). The reality is that a midpoint of 1,300 new spaces associated with the five projects will constitute a good working estimate of the new supply that is required.

The overall parking supply solution requires further study, however planned new parking development is anticipated to provide a certain number of spaces for the overall South End. The financial analysis for the six sites indicates that recommended projects are feasible, but have limited ability to carry the costs of structured parking. Detailed parking agreements will have to be worked out via public/private partnerships formed to address this aspect of South End redevelopment.

Recommendation: *The City needs to commission a thorough up to date assessment of parking needs within the Downtown including existing conditions, current and projected needs, the physical and temporal elements of current operations and the potential for integrated management to reduce current inefficiencies.*

Drawing of Streetscaping along Fayetteville Street



Plan of Fayetteville Street

Drawing of Civic Arcade along Fayetteville Street

Pedestrian & Streetscape Improvements

Traffic calming and pedestrian-friendly design elements should be incorporated throughout the Convention Center Cultural District, but should be particularly emphasized in those locations where pedestrian activities are likely to be the most extensive.

The primary pedestrian routes within the District should be:

- Fayetteville Street from the BTI Center north to the State Capitol,
- Lenoir Street between Blount and Salisbury Streets,
- Davie Street between Wilmington and Dawson Streets.

In addition, the walkway between the main entrance of the new Convention Center and Wilmington Street, just north of the proposed convention center hotel, should be designed and detailed as a primary pedestrian route within the District.

Intersections between streets are particularly crucial in creating an effective and functional pedestrian environment. Particularly important intersections within the Convention Center Cultural District include:

- the intersections of Dawson and Davie Streets,
- the intersection of McDowell and Davie Streets,
- the intersection of McDowell and Cabarrus Street,
- the intersection of Salisbury and Lenoir Streets,
- the intersection of Salisbury and Davie Street,
- the intersection of Wilmington and South Streets,
- the intersection of Wilmington and Lenoir Streets and,
- the intersection of Wilmington and Davie Streets.

Elements to be considered for the redesign of these intersections are provided in the MAB Livable Streets Pedestrian Design Toolkit and include four-corner bump-outs to minimize crossing distances, textured paving in all cross walks, pedestrian lighting in addition to overall street lighting, user-activated crossing signals, integrated street furniture, etc.

Recommendation: *Develop a comprehensive pedestrian improvement and streetscape strategy for the Convention Center Cultural District that details the key pedestrian routes and critical intersections within the District and provides a range of design interventions for enhancing pedestrian safety and comfort within these areas.*

Public Space

Unique uses and attractive elements in flexible, well designed public spaces can invigorate street life. The Convention Center and Cultural District is fortunate to have four unique public spaces within its borders.

The reopened Fayetteville Street will bisect the existing Convention Center Plaza. However, the street should be designed to complement the use of the plaza as a public gathering place and a vital pedestrian crossroads. Pedestrian needs should dictate the redesign of the plaza. The edges and corners of the plaza should be reactivated with interesting ground level uses designed to attract visitors by spilling activity out into the plaza. New retail opportunities should be explored adjacent property owners.

The Pedestrian Cross-link that runs along the southern end of the plaza forms the front to the new Convention Center to the west and future private developments to the east. Its design should integrate elements from the reopened Fayetteville Street, the redesigned Convention Center Plaza and the new Convention Center streetscapes along Salisbury and Cabarrus Streets. As the primary pedestrian entrance to the new Convention Center, potential conflicts with vehicles should be minimized within this entire corridor from Wilmington to Salisbury Streets.

The proposed Civic Square at the terminus of Fayetteville Street contains and expands the Lichtin Plaza in front of the BTI Center and potentially crosses over South to Lenoir Street to become the most formal of the public spaces within the District. Its use as a performance space is limited by potential conflicts with the BTI Center. The square will function as the southern gateway to Fayetteville Street enticing theater goers to explore the street to the north. It can serve to host the more formal public gatherings and provide space for the display of cultural exhibits and holiday icons like to city's Christmas tree.

The Festival Grounds contemplated as part of the Convention Center expansion site will host the larger, less formal, more performance oriented public gatherings. Located on the block bounded by Lenoir, Cabarrus and the Dawson-McDowell pair, and anticipated to accommodate over 4000 people at events - pedestrian access to the site should be controlled and improved.

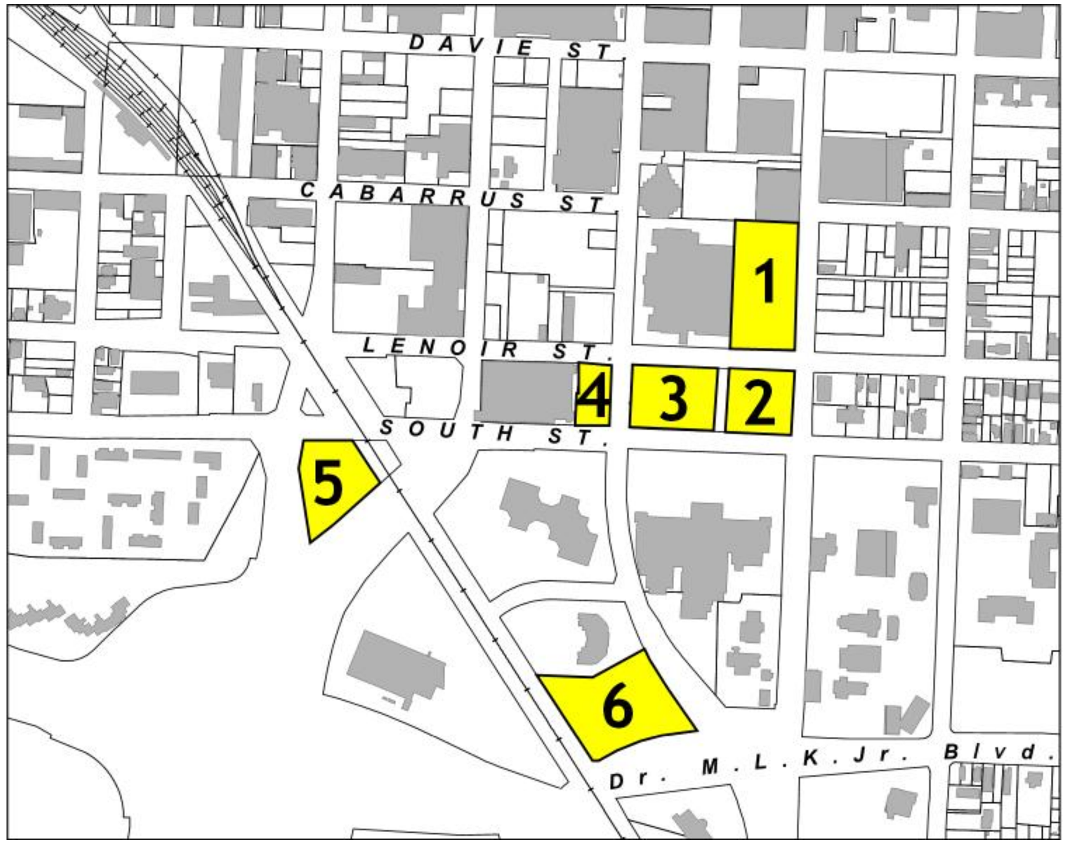
Recommendation: *All four of the public spaces are presently under design or proposed to be designed as part of other projects within the district. The design, programming and maintenance of these spaces needs to be coordinated within design teams' scope of work, adjacent private property owners and the various city departments charged with some responsibility for their success. An integrated urban design and reactivation strategy should be developed for all of these public spaces.*

Linkages

As the new convention center, headquarters hotel and six city owned parcels are developed they will generate significant pedestrian and vehicular traffic within the downtown. Establishing strong, safe and inviting linkages between the district, downtown and the rest of the city will contribute to district's success. It has to be easy to get to the district from any area within the downtown, including adjacent residential neighborhoods.

To enhance the visitors' experience of the entire downtown, special attention should be paid to establishing connections to Shaw University, the Dix Campus, the Warehouse District and the City Market. City residents and potential employees would benefit from direct links to the Moore Square Transit Station and Future TTA Downtown Rail Stations.

Recommendations: *As a part of the downtown pedestrian improvement and streetscape implementation strategy, critical pedestrian and vehicular links should be identified and reinforced between the Convention Center and Cultural District and Moore/Nash Squares to the north. In the south, as master planning work*



Aerial depicting the Plan's Six Parcels

begins for the Shaw University and the Dix Redevelopment, every effort should be made to establish visual and physical links to the district.

Proposed Development Program

Downtown Market Overview

The future of downtown Raleigh is a function of regional economic and demographic trends, market dynamics and the private sector development response, and activity induced by the public sector. Each of these elements is evolving in favor of a continued renaissance in downtown Raleigh, and the prospects for continued growth are strong.

To some extent, raw population growth is fueling the economy in the area. Population growth in the Raleigh-Durham-Chapel Hill MSA has outpaced growth in every other MSA within North Carolina in the decade of the 90's. North Carolina's state population has risen from 6.6 million in 1990 to over 8 million in 2000. The population in the City of Raleigh alone increased from just over 200,000 in 1990 to more than 275,000 in the year 2000. Raleigh is projected to have 313,000 residents in 2004, and approximately 360,000 by 2009. The City planning department projects that Raleigh's population will surpass 540,000 by the year 2025. Clearly, population growth will continue for the foreseeable future, and fuel continued development in the residential, retail, and commercial sectors. Downtown is expected to capture a fair share of this market potential through private sector response and public initiatives.

Residential

The private sector is in fact responding to Raleigh's dynamic economy, and numerous new residential and commercial projects are in evidence in the greater downtown area. The new Progress Energy Building, while primarily an office development, also includes about 66 for-sale residential units as well as retail and restaurant space. Other condominium projects such as "The Dawson on Morgan" a 58-unit complex, "The Hudson" offering 64 units, "The Quorum" with 44 units, "The Paramount" at 81 units are entering the mix of residential for sale properties available to those seeking an urban lifestyle. Approximately 120 units in Capitol Park came on line last year and supplemented the rental market. In addition over 160 units of affordable housing under development in Carlton Place and the Gateway Project at Jamaica Drive. Despite the influx of new housing projects in the downtown, the market analysis prepared for the Convention Center / Cultural District Master Plan indicates that Raleigh is underserved in the housing market. Indeed, projections indicate that the City will have to accommodate approximately 225,000 new residents over the next 20 years.

Within a one-mile radius of the new Convention Center there are currently 1,260 owner occupied units, and 4,281 renter occupied units. Despite the view by many that apartments are in short supply (with significant growth potential here as well), it is the owner occupied for-sale housing that is in even shorter supply. Taken together, the residential supply within walking distance to the downtown core represents only .035 of the City's population base (assuming 2 person households) or about 11,000 people. There is considerable room for growth in the downtown residential market, and a combination of private and public sector development initiatives will likely boost the number of downtown residents considerably in the next decade and beyond.

Retail

The retail market in Raleigh continues to grow, with sales increasing by an average 8.5% per year over the last decade, estimated to be in excess of $9 billion in 2004. These sales are fueled primarily by developments such as the Crabtree Valley Mall, the Streets at South Point and Main Street, Triangle Town Center, etc., but nonetheless demonstrate the market potential that exits. Downtown Raleigh supports some retail, mostly in the form of service businesses, food and beverage establishments, and niche destination retailers. Improved access enabled by the opening of Fayetteville Street, increasing numbers of downtown residents, and concerted efforts to attract retailers are expected to have a positive effect on the mix of supportable downtown retail business. The new convention center, headquarters hotel and projects proposed for the study sites will add both supply and demand to the retail market. Major retail concentrations will remain outside the downtown core, but retail activity in this area is nonetheless expected to increase.

Office

The office market in downtown is less buoyant. The Raleigh-Durham office market has experienced a building boom in the last decade and currently contains more than 36 million square feet of space. Much of this space (57%) is considered Class A; 32% is considered Class B, and the remainder (11%) is Class C. With overall vacancy rates hovering in the 20% range and average Class A rental at approximately $18 per square foot, the prospects for significant new spec office space in the downtown are limited. Any new space is likely to come in the form of anchor owner/tenant scenarios such as the Progress Energy Building.

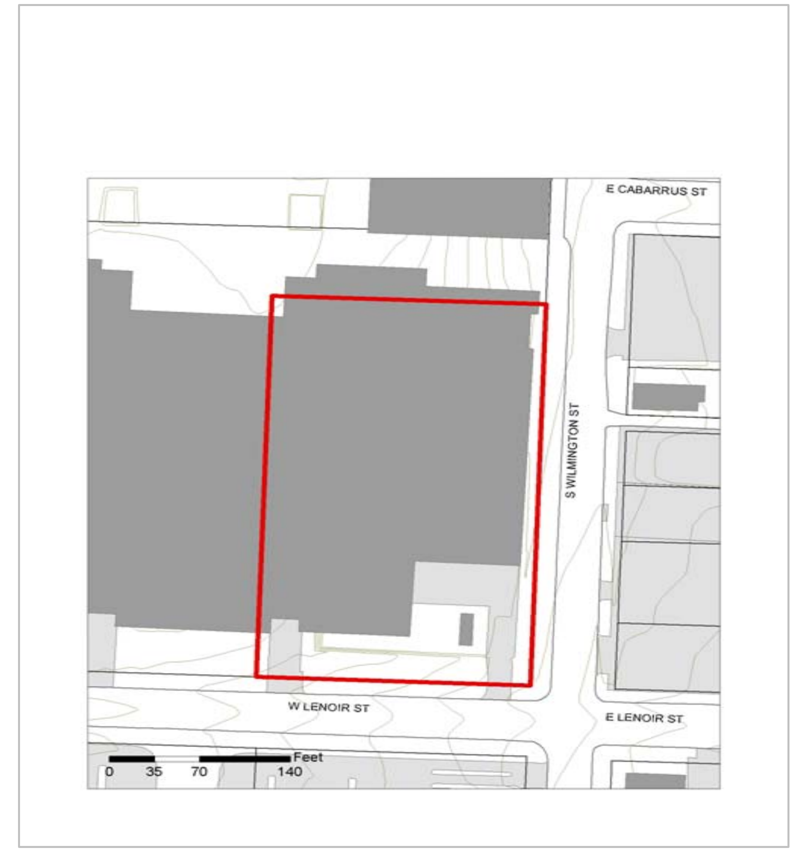
Institutional/Government

Institutional and government sectors are expected to grow in the downtown area as the state transitions from its sale of assets in the Blount Street Redevelopment Area, the County expands its presence with an additional 250,000 square feet of office and court room space and contemplates the development of a downtown library. City government also continues to grow. The purchase of One Exchange Plaza, the planned Lightner Public Safety Center and its hands-on redevelopment of City-owned downtown real estate are further evidence of its expanding role in the marketplace. The anticipated redevelopment of the Dorthea Dix facility will also shift the institutional dynamic, as it moves from a government operation to a mixed-use development project of some type. It is unknown at this time what type of development components will actually arise on the site, but they could include residential, office, retail or other such uses that may or may not greatly affect projects in the downtown core, depending on their concentration, market orientation, etc.

Hotel

The hotel market in the Greater Raleigh area experienced significant additions to room supply in the late 90's and average occupancy dropped from 76% in 1996 to 66% in 2000. The market is showing signs of renewed strength. The new headquarters hotel will represent a large (400 room) addition to the downtown supply, and is expected to draw much of its support from room block reservations associated with the new Convention Center. Developer interest in additional downtown hotel properties is anecdotal evidence that the market can support additional properties targeted at various quality/price strata.

Photo of Site One



Plan of Site One

Site Specific Development Programs

The conceptual development programs described in the following sections have taken into account existing and planned supply, as well as demand potential represented by the steadily growing population. The changing character of downtown is also taken into account. Historically, downtowns were places to work and shop. The transition of downtowns as places to live and recreate has taken place in many cities during the past 20 years. Raleigh is only now emerging as a place that offers both the products (condos, townhouses and apartments) and the mix of cultural, leisure and recreational amenities that are required to make downtown a residential hub. It is with confidence that recommendations pertaining to residential development in the downtown are made. Similarly, recommendations with regard to supportable retail, entertainment, commercial and office uses are based on an analysis of market depth and the emerging trends that are shifting the focus to downtown development opportunities.

Site Discussion

Within the context of the District as a whole, the Plan addresses six specific parcels of land. These are each owned by the City of Raleigh, which is considering the potential to make the parcels available to the private sector for redevelopment. The six parcels as depicted below include:

1. The eastern half of the existing Convention Center. This full-block parcel is bounded on the east by Wilmington Street and on the west by the soon-to-be re-opened Fayetteville Street. The southern edge is defined by Lenoir Street and the northern edge by the pedestrian walkway linking Wilmington and Fayetteville Streets. This site dimensions are 350’ x 210’. This is an area of 73,500 square feet or approximately 1.7 acres. At present, the City is uncertain as to whether it should demolish the entire Convention Center, thereby freeing up this site for redevelopment, or should maintain the eastern half of the existing Center, adding a new façade along the Fayetteville Street frontage.
2. The parking lot bounded by Lenoir Street on the north, South Street on the South, Wilmington Street on the east, and the future Fayetteville Street extension on the west. This site is 210’ x 200’ in size; 42,000 square feet or 0.96 acres.
3. The parking lot directly east of Site 2, bounded on the north by Lenoir Street, on the south by South Street, on the east by the future Fayetteville Street extension, and on the west by Salisbury Street. This site is 210’ x 200’ in size; 42,000 square feet or 0.96 acres.
4. The surface parking lot immediate west of Site 3, across Salisbury Street. This lot is bounded by South Street on the south, by Lenoir Street on the north, by Salisbury Street on east, and by the most-recent City parking structure on the west. This site is 110’ x 200 feet is size; 22,000 square feet or 0.51 acres.
5. The trapezoidal lot sitting at the southern apex of the McDowell-Dawson one-way pair, bounded on the north by South Street. This site includes a 100-foot wide easement for a railway line. This site is 66,598 square feet in size or 1.53 acres.
6. An hourglass-shaped lot bounded on the west by the rail line, on the north by the Chamber of Commerce facility, on the south by Martin Luther King Boulevard, and on the east by Salisbury Street. This site is 95,308 square feet in size or 2.19 acres.

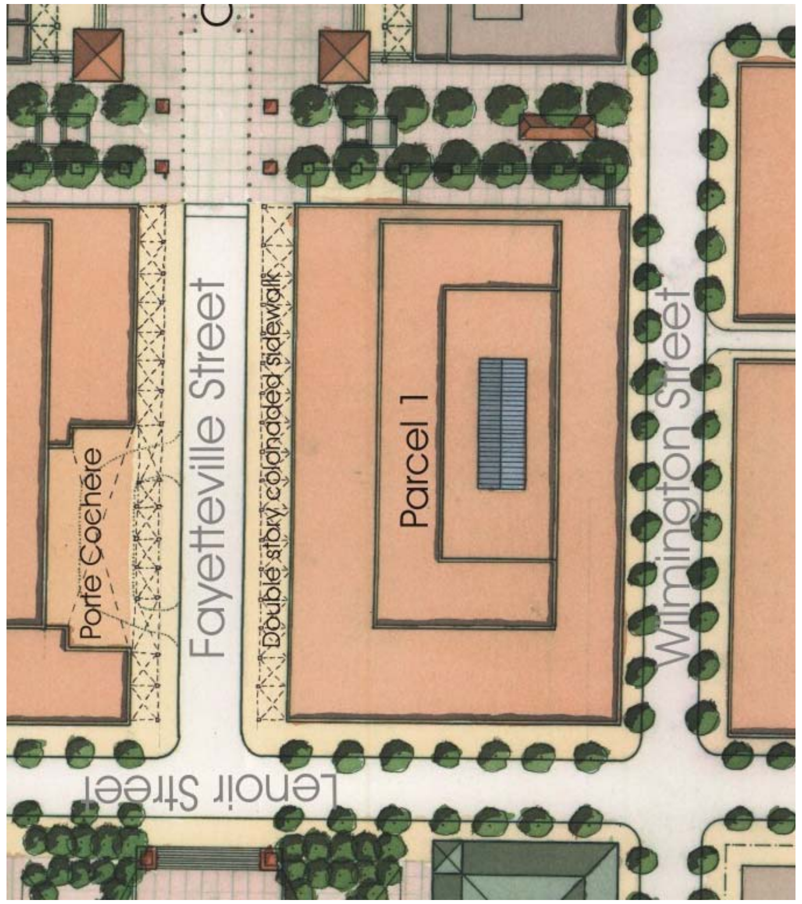
Site One

Some discussion was held during the design process over the efficacy of keeping half of the existing Convention Center after Fayetteville Street is re-established, and using it as an additional meeting facility. Little enthusiasm, however, could be generated for this approach. Instead, the design team approached this site as one of the most important infill sites within the Convention Center Cultural District. At 360 feet by 210 feet, this site is over 1.7 acres in size, and substantially larger than sites 2, 3 or 4. The site is immediately across the future Fayetteville Street from the site of the proposed Convention Center Hotel, which will rise 15 stories high and include 400 rooms as well as related restaurant and retail uses. Fayetteville Street runs along a north-south ridge and is nearly the highest point within the Downtown. It is not an unreasonable notion to attempt to match the height and bulk of the proposed hotel with a similar scaled structure on the east side of Fayetteville Street.

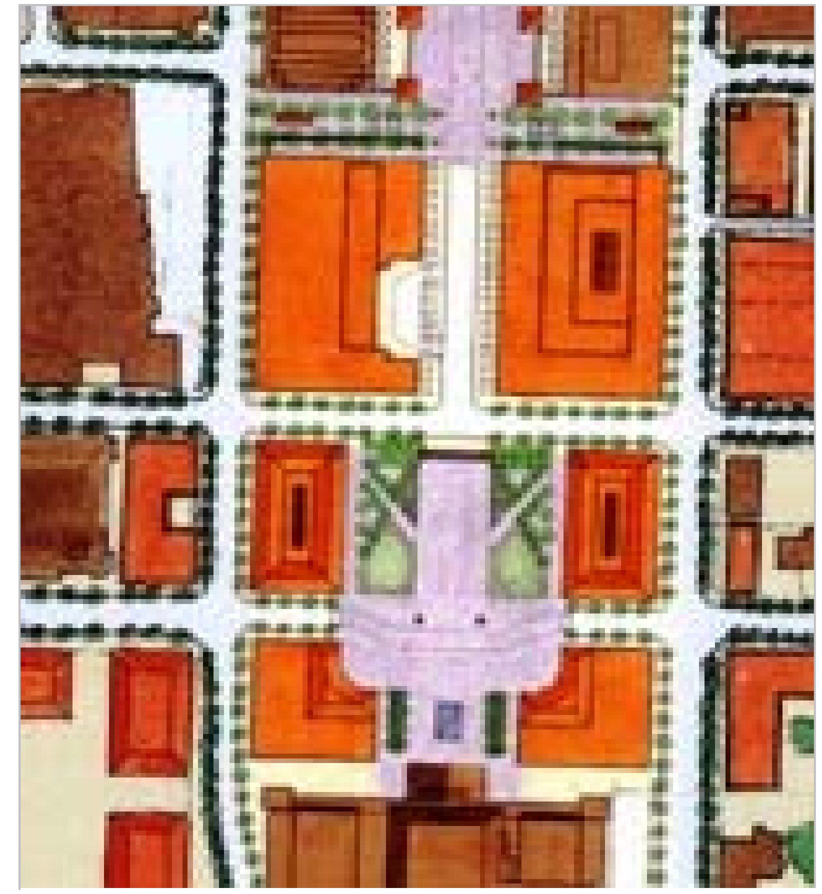
This site affords the opportunity to accommodate several different development options that could provide added synergy to the mix of uses emerging in the Convention Center Cultural District. Four alternative concepts are summarized below:

Urban Entertainment Center (UEC) – This site could host an urban entertainment center that combines restaurants, live entertainment venue and cinema that would augment the pulling power of the District as a destination. Support for this development concept is based on discussions with developers, cinema operators, and others with experience in entertainment projects in Raleigh. If developed, the UEC would be directly proximate to the new Convention Center Headquarters Hotel, and across the street from new development projects (sites 2 and 3) that are anticipated to include compatible uses such as additional restaurants, specialty retail, arts-oriented commercial and entertainment space, and additional "boutique" hotel rooms. The location would benefit from pulse visitation from convention delegates and attendees at special events hosted at the new Convention Center, the BTI Center, etc. The UEC concept cannot be supported by pulse visitation alone, and must have significant support from local and/or sub-regional markets. The presence of a multiplex cinema would be a stabilizing component in terms of steady consumer support, and would also add to the flow of people in and around the District. It is not unusual for a multiplex in a good market to attract 1 million customers per year. These customers can add significantly to the market support for nearby restaurants, cafes, bookshops and the like. Parking demand generated by an UEC will need to be accommodated within the larger parking supply solution for the Convention Center Cultural District. The gross building area for this development concept would be in the 100,000 – 200,000 square foot range depending on n umber of screens and other variables.

Civic / Mixed-Use Project – An alternative development concept incorporates the potential for a new downtown library, conference/meeting space designed to serve the local community, office space, and perhaps a residential component. The prospects for a new library have been discussed at different points during the strategic planning process. The new Convention Center will most likely not lend itself to meetings of small community groups, local civic/cultural/arts organizations and the like. A smaller conference-type center or space could provide a venue for hosting these types of groups, and provide adjunct meeting space for the Convention Center for those groups seeking a smaller, more intimate setting. It may be possible to incorporate both the library and conference/meeting spaces into one building program. The site is large enough to accommodate the library/conference project (30,000 to 50,000 square feet), and a significant amount of residential and/or office space. Depending on height, the site could host as much of this space as considered supportable within the market. At this time there is limited demand for additional Class "A" office space in downtown Raleigh, although the residential market is considered quite strong. Over time, between 100 and 200 dwellings might be accommodated on this site in



Drawing of Proposed Development on Site One



Plan Drawing for Sites 1 - 4

addition to the civic uses described herein. This development concept would require an ongoing public/private partnership, as neither the library, nor the conference space, would serve as a profit center for the project.

Residential / Health Club Project – A residential-heavy mixed-use project could also be a consideration on this site. While less impactful on surrounding convention, and cultural development projects, a residential development here would likely be feasible. The excellent location, proximity to civic and cultural attractions, restaurants, etc., add to the viability of a condo development here. As with the civic/mixed-use project described above, it is projected that between 100 and 200 residential dwellings could be accommodated and absorbed at this location over time. As an amenity to residents, as well as visiting convention delegates, hotel lodgers, downtown workers and others, a health/fitness/wellness facility or spa could be co-developed on this site. The site could easily accommodate the 40,000 to 60,000 square feet of additional space required, and this component would contribute to the differentiation of the residential units within the marketplace. In addition, first floor retail and a limited amount of office or other commercial space could round out the mixed-use character of the project and provide ground level activity that is important for the overall vitality of the District.

Corporate Headquarters Office – While not a derivative of market analysis or other empirical research, there remains a possibility that the site could be attractive to a large corporation seeking an urban headquarters location. Typically, banks, insurance companies, large-scale tech or media companies, and energy companies are about the only players in this field. A good example of this model is the Progress Energy building now under construction close to this site. If such a headquarters project could be attracted to the site, it may be possible to encourage at least some mix-use components (as with the Progress Energy project) to generate additional synergy with surrounding uses.

The 75,000+ square foot site also lends itself to any of a number of larger public or semi-public uses. Potential uses that should be considered for this site include the proposed library (approximately 50,000 square feet), an additional museum facility, a health facility (50,000 square feet), initially proposed for Site 5, but too large for that site, or a multiplex movie theater complex. Even if a residential tower were to be built on the site, well over 40,000 square feet of the footprint could remain unencumbered, readily used for long-span or large-scale horizontal uses.

Recommendation: *To the degree possible, move the program originally recommended for Site 5 to Site 1, with the addition of three full-block floors of public and semi-public uses. These floors would serve as a plinth for a residential tower of between 12 and 20 stories in height whose scale and orientation would reciprocate those of the proposed Convention Center Hotel to the west on the opposite side of Fayetteville Street.*

The bottom floors and the proposed tower should sit atop a subterranean parking deck that should be designed to match up with the existing deck below the Fayetteville Plaza as well as the new deck to be built beneath the convention hotel. These three structures should be planned to act as a single unified facility, with multiple ingress and egress points. The new mixed-use complex on Site 1 should have a single ingress and egress point into the unified garage located on the south face of the complex, facing onto Lenoir Street.

Photo of Site Two

Plan of Site Two

Site Two

Arts Themed Mixed-Use / Commercial Project

The concept is distinguished by active lower floor uses that together would comprise a restaurant/entertainment center. Included would be specialty retail stores and signature restaurants that have synergy with both the new convention center and the BTI Center. The concept also calls for arts and cultural space, as well as space that could host nonprofits or other organizations that will play an integral role in the vitality of downtown. Financially, the project would be further supported by commercial/office space that could host an anchor tenant, or mix of professionals and other users.

The restaurant/entertainment cluster could include a jazz club or other live entertainment venue, and upscale signature restaurant(s), configured to enliven new Fayetteville Street Edge. The building program for this aspect of the project might involve 30,000 to 50,000 square feet of space.

The arts/specialty retail component of the project, also on lower levels, could include galleries of different types, space for nonprofit organizations, etc., in a "Culture Cluster" designed to take advantage of synergies with the BTI Center for the Performing Arts, and the UEC if that concept is pursued in Site One. Specialty retail could possibly include arts supply, "Made in Carolina" store, a North Carolina sports merchandise store, golf, or other recreation-related retail. An additional 20,000 to 40,000 arts related retail space could be programmed with these and other uses.

A small commercial/office component of perhaps 20,000 square feet could be incorporated into upper floor areas and accommodate arts-related and professional commercial office uses (architects, designers, real estate management, law, and other professional).

Public space of approximately 10,000 square feet is suggested (indoor and/or outdoor) that could accommodate public art or museum space, indoor/ outdoor plazas for dining etc., and contribute to giving this development component a sense of place in the overall Convention Center / Cultural District.

The project would be capped by approximately 20 condominiums that would afford residents with all of the amenities associated with the South End renaissance. The dwellings could be similar to those suggested for Site 3, or they could target a different audience – perhaps marketed as an arts-oriented product who would embrace the arts theme suggested for this site, and see the proximity to the BTI Center as a major benefit.

Public space of approximately 10,000 square feet is suggested (indoor and/or outdoor) that could accommodate public art or museum space, indoor/ outdoor plazas for dining etc., and contribute to giving this development component a sense of place in the overall Convention Center / Cultural District.

Photo of Site Three

Plan of Site Three

Site Three

Residential "The Spa" Commercial Project

The development concept is for high-end, for-sale residences, in an offering that could feature health and wellness facilities and spa themes as distinguishing features. The "spa" concept could be expanded to include a racquet club/ pool facility, which could be accessed by convention delegates and other downtown lodgers, if it were operated as a stand-alone business. A small amount of specialty retail that also utilizes the health and wellness theme could also probably be supported. This concept is also suggested as a potential component of Site One development, should a large-scale residential project be pursued. To some extent the health/wellness facility component is interchangeable, but could not be supported in both locations.

The residential for-sale component would be comprised of approximately 100 units in a combination of one, two, and three bedroom offerings. The condos would be up-fitted/marketed for successful young professionals, affluent empty nesters, and others seeking a high-quality, urban lifestyle. Differentiation in the market could be achieved through the health/wellness niche offering. This element would compliment other similar, yet different facilities in and around the downtown area.

The health and fitness facility, partially described above, could be accentuated through partnerships with University programs and other sports/fitness facilities in the area. It is anticipated that between 40,000 and 60,000 square feet of space would be required on site to accommodate this element of the development concept. A small amount of specialty retail, perhaps 2,500 square feet, that offers goods and services associated with the health/wellness/fitness niche may also be desirable. Total gross square footage for this development concept would be approximately 100,000 square feet.

With the assumption that Fayetteville Street will provide a continuous visual and physical connection from the State Capitol to the BTI Center (regardless of whether or not cars can travel the entire distance), Sites 2 and 3 become identical 200 x 210 foot sites. The development concepts described for these sites therefore offer the opportunity to define both sides of a new "street", and add balance and symmetry to the downtown urban design framework.

In studying the physical implications of these programs for the sites in question, the design team made several assumptions with respect to parking. They assumed that all necessary parking would need to be accommodated on-site. Initially, they assumed that this implied two full-block buildings with internal above-ground parking structures. The results of these initial design studies show two doughnut-shaped four-story buildings filling out the sites from lot-line to lot-line. Three- or four-story above ground parking decks fill out the "hole" of the doughnuts. The internal height of these structures would depend on how much of the ground floor plane could be given over to parking and, reciprocally, how quickly the ingress and egress ramps for the structures would have to rise to the second story level.

While these proposals indicate an urban solution to the age-old problem of accommodating parking structures within the fabric of the city, there are additional considerations. To optimize their utility, the garages are typically 125 x 125 feet in area per floor. Centered within their respective buildings, the garages effectively limit the depth of the uses that can be found on upper levels of the buildings, and also

Panorama of existing Sites 2 - 4

Drawing of Sites 2 – 4 Option 1

have implications for the utility of the ground floor. The shallow depth of the upper floors lends itself to residential development, but is less than useful for non-residential uses which may need particular sizes or geometries in order to function properly.

Recognizing the limitations inherent in an above-ground parking approach, the design team explored the potential to put the parking below grade. While the cost of an above-ground structure is approximately 60% of the cost of building below grade, significant efficiencies accrue from putting the garages undergrounds. In both instances the entire footprint of the site can be used for parking, allowing the entire parking requirement to be accommodated on two below-ground levels as opposed to three above-ground levels. Putting the parking underground also allows the floors plans of the buildings to more accurately match the specific needs of each program – the non-residential building gains significant internal depth while the residential program has the flexibility to use a courtyard scheme or a U-shaped or C-shaped plan.

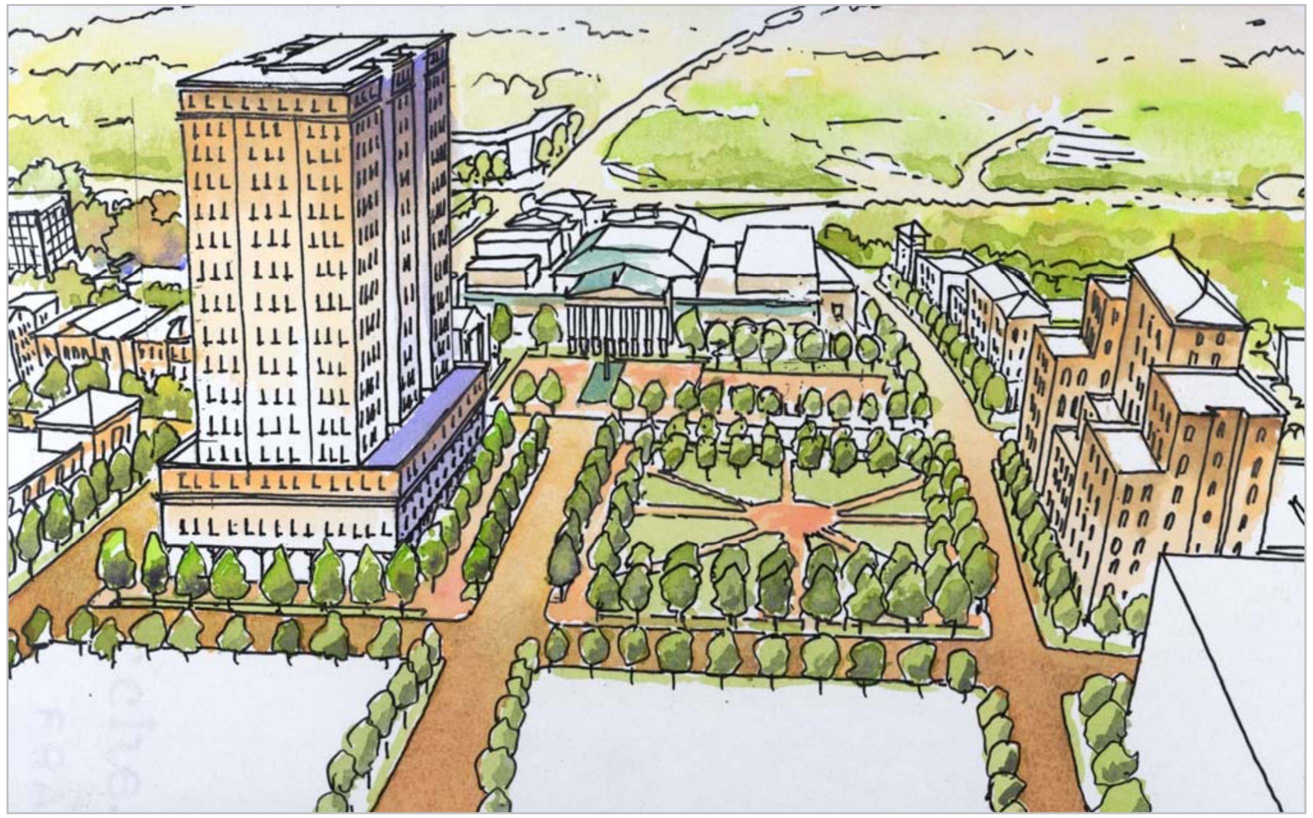
In reviewing the merits of below-grade parking the question arose: why not create a single unified subterranean parking structure that would encompass both blocks as well as the space between them? This would allow the most efficient overall layout and would facilitate ingress and egress.

In using two above-ground parking structures, the design team was forced to maximize the footprint of the buildings in order to best accommodate the required program. In putting the garages below grade, the team was able to streamline the footprints of the buildings, in particular the residential structure, thereby freeing up space for additional open space, parks and/or plazas. In several studies, the eastern building was pushed up against Wilmington Street and the western building was pushed up against Salisbury Street. This expanded the land area available at the center between the two buildings which could be sculpted into a range of configurations.

In looking to optimize the amount of usable open space, the team explored the potential to stack both programs on a single site, leaving the reciprocal site completely open as a civic space. While this created a significantly larger building on the one site, the tradeoff of mass versus open space met with considerable favor in public presentations.

In exploring the opportunities to redevelop sites 2 and 3, the relationship between these sites and the BTI Center became quite clear. Building on these sites and keeping Fayetteville Street open helped frame a view down the street of the main portico of the Center, and the Lichtin Plaza immediately in front of it. Viewed this way, the logical of expanding the BTI Center as two wings located immediately east and west of the plaza became obvious. In the final studies, the team looked not only at the implications of different development approaches to sites 2 and 3, but also for the future expansion of the BTI Center.

Recommendations: *The visual link along Fayetteville Street between the Capitol and the BTI Center must be maintained, with a minimum clear space of 100 feet, matching the right-of-way width further up Fayetteville Street. It is not necessary, however, that vehicles be able to drive between Lenoir Street and South Street; conceivably, this space could be designed as a forecourt and drive for the new structures fronting it to the east and west, but not as a through street.*



Drawing of Sites 2 – 4 Option 2

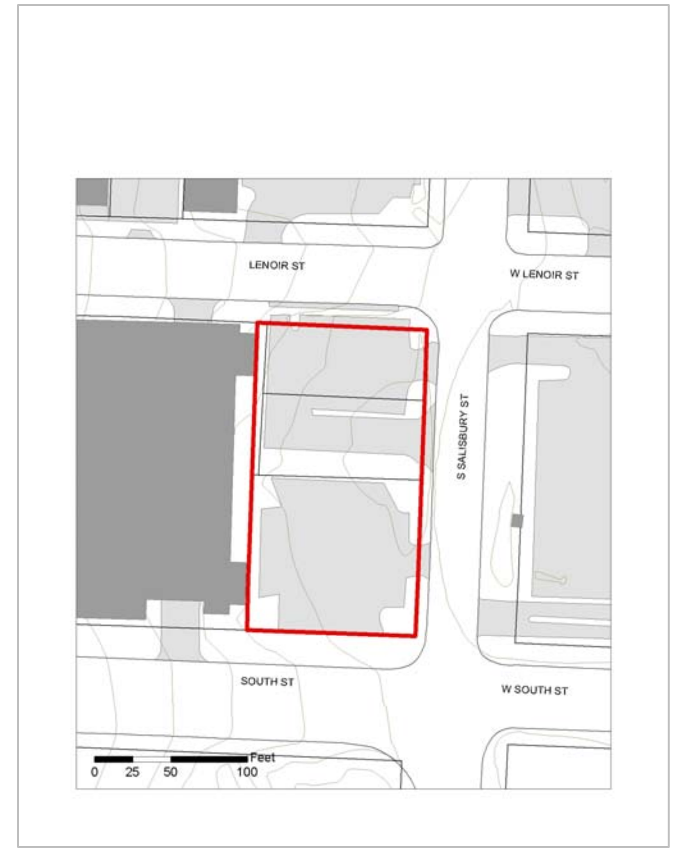
Drawing of Sites 2 – 4 Option 3

While considerably more expensive, the optimal redevelopment of the two sites could depend on the ability to bury two levels of parking beneath the entire expanse between Wilmington and Salisbury Streets. This would create a very efficient parking organization and will allow a single ingress and egress into and out of each of the new structures.

The opportunity to load the entire program for sites 2 and 3 onto one site and leave the other site clear as a civic space has some merits, but urbanistically, the creation of two related structures (one on each site) and the purposeful design of a civic space between them seems has greater merit. In particular, this approach strengthens the perception of the BTI portico and the Lichtin Plaza, and lends logic to the future expansion of the BTI center.

It must be recognized, however, that the decision to use a subterranean parking deck will have implications for the design and function of the civic and non-civic spaces above it, including the ability to plant large trees and the need for regular maintenance.

Photo of Site Four



Plan for Site Four

Site Four
High-End "Boutique" Hotel / Condo Mixed Use Project

This concept is anchored by a luxury "boutique" hotel property that would augment the room supply for the new convention center, coupled with for-lease space that could host signature restaurants and/or retail space. The project concept also calls for approximately 20 luxury penthouse residences whose owners would have access to hotel services and amenities. This concept has been successfully developed by Ritz Carlton properties, among others, and offers residents a unique living environment.

The hotel component would feature 80 - 100 rooms and feature exceptional levels of amenities and services. The property would target the highest strata of the convention/business/leisure travel market. It could be themed after one of Raleigh's old grand hotels, or feature the most modern "European -style" ambience.

The condo/hotel residences are envisioned as high-end, penthouse-style dwellings that cater to affluent seniors seeking service amenities associated with the hotel that could include laundry, cleaning, food/beverage delivery, etc.

A signature restaurant/retail operation utilizing approximately 10,000 square feet of space would also be a desirable component. Another restaurant to compliment others being developed nearby could be part of the hotel, or operated separately.

Both the design and development teams felt that Site 4 may be easiest site to redevelop, in terms of program, design and timing. The site is approximately 100 feet deep by 200 feet long, and lies immediately east of the City's newest parking structure. Assuming that any site-related parking requirements can be accommodated within this structure frees the designers of the proposed building to explore numerous urbanistic and architectural opportunities.

The initial program for the site included a modest amount of ground level retail and restaurant uses, surmounted by a combination boutique hotel and condominium project. This project could take a number of configurations including a simple slab, a C-shape facing out to the Salisbury Street, or a stacked approach with a larger base topped by a narrower "penthouse" tower. This latter approach is depicted in the renderings.

The small size of the lot means that it is more easily occupied by a single project or program, and that this program has the potential to rise high enough to match or exceed the height of the adjacent new convention center. Because it only has a single dominant frontage (along Salisbury Street), "back of house" issues can be accommodated between the building and the adjacent parking garage.

Recommendation: *Site 4 could easily be the first site developed. It is large enough to accept a good-sized project, but small enough for a developer to complete fairly quickly. The adjacent parking garage makes an excellent incentive for potential developers and the provision of parking frees the architects for the project to explore a range of potentially exciting solutions. For the first three levels, the building should hold the street-edge, particularly along Salisbury Street, and should round all the way between Lenoir Street and South Street, but above this height, the designers should have considerable freedom to explore a range of scale, shapes and forms. Ideally, the building will be taller than the adjacent garage as well as the soon-to-be-built new convention center.*

Photo of Site Five

Photo of Site Five

Plan of Site Five

Site Five

Issues of location, accessibility, shape and the railroad easement bisecting it make Site 5 extremely difficult to develop. After a number of attempts, the design team came to the conclusion that this site should be held by the City for the time being, with little effort made to market it or to find a program for it. Energies should be focused, first on Sites 1 through 4 and then on Site 6. If, over the course of time, an effective linkage emerges along South Street tying together the Convention Center Cultural District with a potential mixed-use commercial area in Boylan Heights, the City might wish to revisit the viability of this site for future development. It is anticipated, however, that this potential is still several years into the future, probably not until well after the future convention center has been built.

Recommendation: *Remove Site 5 from consideration for redevelopment at the current time.*

Photo of Site Six

Plan of Site Six

Site Six

Apartment / Commercial Project

The concept for site six includes a significant number of market rate apartments that could be designed as live-work space, commercial/office space that might be an executive suites offering, and service retail that would tap demand created by the burgeoning number of residents in downtown. Due to costs of construction and projected revenue potential for this concept, it is likely that the building character will be frame construction, three to four stories in height maximum, and set apart in some type of “campus” configuration. If nearby sites are assembled into a larger development parcel, this concept could be better accommodated. Current space allocations forecast approximately 250,000 square feet of gross building area.

The residential development program suggests approximately 200 units. Apartments could be offered in a range of prices, configurations and styles to capture a wide range of market segments. For purposes of this analysis 100 one-bedroom, and 100 two-bedroom apartments have been conceptualized. Two bedroom units could be outfitted and marketed as live-work space.

A limited amount of commercial/office space, perhaps 25,000 square feet, could accommodate executive suites serving apartment residents may be a possibility. Professional and other office tenants may also represent potential demand sources.

A limited amount of service/retail commercial space might also be programmed on this site. Downtown-serving retail such as convenience, dry cleaning, postal service, travel, etc. could be tenant prospects.

Like Site 5, Site 6 is well away from the core of the District, and includes issues of difficult accessibility and problematic adjacencies. Like Site 5, Site 6 backs up against the operational railroad easement, and is easily accessible only from one side, the east, from Salisbury Street. Unlike Site 5, however, Site 6 sits immediately adjacent to the recently renovated Chamber of Commerce site, and across a lightly traveled cul-de-sac from the North Carolina Association of Educators (NCAE) property.

Both the Chamber and the NCAE building front on the Salisbury Street and look out at the west side of the BTI Center. Both buildings are essentially suburban in scale and character and both rely completely on surface lots to accommodate their parking needs. Neither building makes efficient use of its site.

The recommended program for Site 6 is several hundred market-rate apartment units and a small amount of related mixed-use. While it is possible to currently accommodate this program on Site 6, the design and development teams are united in recommending that the City try to consolidate the current Chamber site and the Teachers Association site with Site 6 to create a larger, more flexible and substantially more dynamic redevelopment project.

Of particular relevance in this recommendation is the location of the combined sites adjacent to the proposed regional light rail system. Assembled into a coherent unit, these three sites offer substantial potential to become the basis for a high-density mixed-use in-town transit oriented development (TOD), with a station accommodated within the overall project. Along South Street, this project could comprise

Drawings of recommended development for expanded site six program

primarily office and retail uses, with parking decks built adjacent to the rail lines. Further south, while the scale and character of the project could remain similar, the uses would shift primarily to residential with a bit of ancillary support retail. Again, a parking deck could be accommodated at the western edge of the site adjacent to the railway line.

Recommendation: *Enter into negotiations with the Chamber of Commerce and the North Carolina Association of Educators to assemble all three sites into a comprehensive whole, for which a master development plan would be prepared. Carefully study the potential to form a high-density mixed-use Transit Oriented Development (TOD) with a contained transit stop along the future regional rail line.*

Fiscal Impact Analysis

The development of each project carries with it certain fiscal impacts that need to be considered in the overall development picture. Much of the land associated with the six study sites does not currently generate tax revenue as it is City-owned. By changing ownership to the private sector and building large-scale projects, significant net new revenues will be generated. Property tax and sales tax will both be generated in varying degrees, as shown in tables 2 and 3.

Table 2
New Project Estimated Property Tax & Fee Revenues

Project	Total Estimated Assessment	Tax Revenues: City Property	Tax Revenues: Municipal Service District	Storm Water Fee
Site 1				
Urban Entertainment Center	$18,637,500	$73,618	$14,649	$1,561
Civic/Mixed-use Project	$29,837,500	$117,858	$23,452	$1,561
Residential/Health Club	$35,437,500	$139,978	$27,854	$1,561
Site 2				
Arts/Mixed-use/Commercial	$14,770,000	$58,342	$11,609	$670
Site 3				
Residential/Health Club	$31,374,000	$123,927	$24,660	$670
Site 4				
Hotel/Condos	$15,390,000	$60,791	$12,097	$467
Site 6				
Apartments/Commercial	$22,206,700	$87,716	$17,454	$2,024

Source: City of Raleigh; Hunter Interests

Table 3
Sales Taxes

	Square Feet	Sales Per SF	Gross Sales	Sales Tax at 1.5%	Food & Bev Tax at 1%
Site 1					
Urban Entertainment Center	150,000	$200	$30,000,000	$450,000	$180,000
Health Club	50,000	$100	$5,000,000	$75,000	
Site 2					
Restaurant	30,000	$175	$5,250,000	$78,750	$52,500
Retail	30,000	$150	$4,500,000	$67,500	
Site 3					
Health Club	50,000	$100	$5,000,000	$75,000	$50,000
Retail	2,000	$150	$300,000	$4,500	
Site 4					
Restaurant	10,000	$175	$1,750,000	$26,250	$17,500
Site 6					
Retail	2,000	$150	$300,000	$4,500	

Hotel Tax

	Room Nights	ADR YR. 4	Gross Sales	Bed Tax at 6%
Site 4				
Hotel	19,564	$195	$3,814,980	$228,899

Source: City of Raleigh; Hunter Interests Inc.

Fayetteville Street Mall

Downtown Parking Impacts

Next Steps

1. Authorize Final Design of Fayetteville Street and Adjacent Public Spaces

The City of Raleigh should move to reopen the Fayetteville Street Mall to vehicular traffic from the State Capitol to Lenoir Street. An engineering design to reinforce the existing parking garage under the convention center plaza will need to be completed to enable it to carry the loads related to vehicular traffic. Final design/construction drawings for the remaining portion of the street will need to be completed. Its construction should be timed to be completed congruently with the new hotel.

In addition to Fayetteville Street, there are coordination issues with several smaller street segments that are slated to get new streetscapes. Streets bordering the site of the new convention center and the existing convention center (if completely razed) will need to be rebuilt. Potential street section modifications should also be considered as part of the conversion of South and Lenoir streets.

There are significant public spaces within the scope of this redevelopment strategy. Each will have to be designed in detail. The existing Convention Center Plaza, the pedestrian cross-link from Wilmington to new convention center's front door on Salisbury and the future Civic Square fronting the BTI Center will contribute to and link together all of proposed projects within the district.

A comprehensive design approach that coordinates and implements all of these various components should be undertaken.

2. Update Downtown Parking Needs Assessment and Implementation Strategy

The provision of parking within Downtown Raleigh is inefficient. With a worker population of approximately 30,000, Downtown has over 40,000 parking spaces, a ratio that is out of keeping with its nature as a potential urban district. Currently, parking spaces are maintained by a wide variety of owners and managers, with varying concerns and needs. New projects are displacing existing supply and creating new demands. Overall parking needs are changing rapidly and there are many instances where the demand for spaces and the supply of available spaces are simply too far apart to function effectively.

The City needs to commission a thorough up to date assessment of parking needs within the Downtown including existing conditions, current and projected needs, the physical and temporal elements of current operations and the potential for integrated management to reduce current inefficiencies.

3. Traffic Operational Analysis and Engineering

Many of the recommendations within this Plan have implications for the nature and use of streets within the entire Downtown, both for pedestrians and for vehicles. It is beyond the scope of this effort to fully analyze the impact and potential ramifications of these design suggestions. Many of these issues will need to be investigated, evaluated and resolved before the earliest RFPs are released.

This analysis should not take place on an isolated project-by-project basis, but should occur within the context of the Downtown as a whole, and should consider the tradeoffs necessary between enhanced

Traffic Pattern Impacts

mobility for vehicles passing by or through the Downtown and the quality of life for those living in, working in or visiting the Downtown.

As an urgent first step, the city should authorize an operational analysis and, if warranted, an engineering design/streetscape plan to convert Lenoir and South Streets to two-way traffic.

4. RFP recommendations

The development strategy for the South End includes many components, including but not limited to: the building of the new Convention Center and the period of demolition and construction that attends it; construction of the Headquarters Hotel; demolition and significant street and utility work associated with reopening Fayetteville Street; building new parking decks; and, packaging, marketing, and development of the 5 projects which are recommended in this report. Each of those will also have its unique set of challenges.

The process which is recommended for successful pursuit of new development on the five sites is essentially the same for each one: They involve packaging of the projects, solicitation of developers/investors/partners, negotiating various development agreements (purchase and sale, parking, etc.), and follow through associated with guiding the project through the development process until completion. Following is a brief summary of the steps that need to be taken.

Phased Implementation Strategy

This report reflects a phased development process that has many facets. As the work transitions from planning to development, a detailed implementation strategy should be formulated. The strategy would expand upon the following key elements.

- Proceed with action items associated with the Convention Center, headquarters hotel, reopening of Fayetteville Street, and demolition of the eastern portion of the existing Center.

- Proceed with additional planning and analysis as referenced elsewhere in this section, incorporating the impacts/opportunities associated with the Conceptual Building Programs for the five sites into the process.

- Take each of the five sites through a two-step RFQ/RFP process, beginning with Site 1 in January 2005. Between now and then, further due diligence on the property may be performed, and partnering and financial factors further detailed. The market analysis, financial analysis, parking analysis and other support materials prepared by the team should be made available to developers as part of a marketing package that will accompany the RFQ.

- The RFQ marketing package should include portions of this report including graphics, perspective sketches, concept write-ups, etc., in order to capture developer interest through an information-based solicitation campaign.

- The RFQ itself should be relatively easy to respond to, its purpose to establish the level of interest in a particular project and create a competitive environment. The RFQ should spell out the basics of what is expected from the developer, and what the City is prepared to do in terms of parking, infrastructure, etc.

- The RFQ should be widely distributed, even though a significant number of local development companies have already expressed an interest in one or more of the five conceptual projects. A national solicitation is recommended.

- The Conceptual Building Programs are a guide for development (projects that have demonstrated feasibility and that have been vetted through a public process), and the RFQ should acknowledge that they do not represent a rigid dictum for development.

- Approximately 45 days should be allowed from the time of RFQ issuance until they must be submitted. The RFQ should be circulated by regular mail, posted to the City's website, and possible incorporated into the Demand Star notification system.

- When the RFQs have been submitted, it is recommended that information on development teams be circulated among the group. This allows for possible teaming and strategic activity during the period leading up to issuance of an RFP.

- A Request For Proposal (RFP) should be prepared that requires greater detail from developers deemed capable via the RFQ. At this juncture the City will need to define its expectations about land value and other elements, while the development companies will have to provide greater detail on the projects they propose including financing plans, ability/willingness to pay for the land and how much, proposed parking plan, etc.

- The City may choose to shortlist teams at the RFQ stage, distributing the RFP to a selected group that has demonstrated superior financial strength, capability in similar projects, etc., or the RFP could be distributed to the entire respondent field.

- If the RFQ for Site 1 is issued in early January, the process would have the RFP going out in March. Another 30 to 45 days should be allowed for response time, putting the submittal deadline sometime in May. Developer selection and execution of a Memorandum of Understanding could then be accomplished by June.

- The RFQ for the next site should be issued at this juncture, and a six-month cadence of RFQ/RFP/Selection activity established. Determining which project(s) will be the second out of the box will depend on a number of factors. It could well be that Sites 2 and 3 are coupled for purposes of having a Master Developer build the whole project in a coordinated and cohesive effort. Alternatively Site 4 may be appropriate as the second major project if developer interest is especially high and/or if construction in sync with the Convention Center and headquarters hotel is warranted. Site 6 should probably be viewed as the last project to come out of this process. Development of other new projects in the South End will add value to this site, and further land assembly may also be accomplished to enhance the prospects for success in this location. If the

Pedestrian Plan

Existing Convention Center

six-month RFQ/RFP cadence is maintained, this would put the beginning of the Site 6 development process in late 2006 or early 2007.

Financial Assessment

In addition to the market analysis that indicated support for the projects that are represented as Conceptual Building Programs, a financial feasibility assessment was also conducted for each project. These assessments demonstrated how the projects could be feasible, although final development programming, variables associated with individual financing plans, and other unknowns will ultimately affect the outcome of capital and operational activity. The assessments will be provided to the development community as part of the RFQ/RFP process.

5. Approve the Demolition of the Existing Convention Center

At present, the western half of the existing convention center, including that part within the Fayetteville Street ROW, is scheduled to be razed beginning in the summer of 2005. At this time, there is still a question of whether or not the eastern portion of the existing Center should be saved, given a new western façade and maintained as an office/small meeting facility.

Based on the potentials inherent in this eastern site (Site One), the expense of retrofitting part of a demolished structure and then adding a new façade, the entire Convention Center should be razed at one time and that the City immediately pursue redeveloping Site One to its fullest potential.

6. Pedestrian Improvement and Streetscape Implementation Strategy

In recognition of the development of the new Convention Center and the new Headquarters Hotel in the south, significant residential developments throughout downtown, the introduction of regional rail and the States' redevelopment plans to the north - the City of Raleigh should undertake the development of a comprehensive and detailed Pedestrian Improvement and Streetscape Implementation Strategy for the entire Downtown.

This plan should include an intensive analysis of the existing conditions within the Downtown, including macro issues such as overall movement systems, origin/destination studies, accident histories and safety considerations. The outcome of this study should be a coherent implementation strategy for pedestrian improvements within the Downtown.

As a crucial first step, the City should evaluate and integrate pedestrian improvements at key crossings that will be reconstructed throughout the Convention Center and Cultural District. Focus critical attention where pedestrians are expected to encounter the "vehicular streets" of Dawson/McDowell and MLK/Western Boulevard as a result of redevelopment efforts.

7. Comprehensive Downtown Housing Market Study

At the outset of this project there was considerable lack of agreement as to the state of housing market within and around the Downtown. Various assertions and perceptions were made as to the status of the both the demand and supply of various forms of housing. In part, this study has served to lend some

Downtown Housing Market

degree of clarity to this issue, particularly as it relates to the southern part of the Downtown, both in its present conditions and in terms of potential future development.

With respect to the entire Downtown and its reach into the adjacent in-town neighborhoods, the status of the housing market is remarkably vague. The City should commission a comprehensive study of the Downtown housing market, to gain a more thorough understanding of its ability to serve all market segments and its capacity to meet future demands and opportunities.

As with the other recommended actions, this effort should be undertaken as quickly as possible. Its outcome could conceivably have critical impact for some of the specific recommendations for the Convention Center Cultural District.

8. Opportunity for the Creation of a Civic Square

In their current incarnation, the parcels of land that comprise development sites Two and Three provide for approximately 200 spaces of surface parking. The sites serve to separate the existing convention center from the BTI Center and create a dead space within the overall fabric of the Downtown. With the reopening of Fayetteville Street and regardless of which specific development proposal for these two sites is ultimately followed, these two sites have the unique potential to create a dynamic and vital Civic Square within the heart of the Convention Center Cultural District at the front door of the BTI Center.

Much of the focus of this study has been on the potential of various sites within the Downtown to accept a range of private sector real estate development, these private sector projects should not be undertaken without consideration for their potential to positively or negatively affect the form, design and use of this potential civic space.

Prior to the issuance of the RFPs soliciting development ideas for sites Two and Three, the City should commission a formal evaluation of the opportunities to design, develop and operate an active and vibrant Civic Square as part of the overall development program. In addition to these broader issues, this study should explicitly address critical factors such as the ownership structure of the property, its maintenance and operation, the ramifications of using underground parking, its links to the BTI Center and Fayetteville Street and its desired character.

9. Develop a Public Art Strategy

Public art can shape the identity of a place. The scope of this plan, the breadth of physical change within the district and the unique nature of new developments already underway indicate the potential to create a distinctive destination within the heart of Downtown. Public art should be an integral part of all projects within the district.

The city should authorize an effort to fund, locate and acquire public art within the district. Representatives of the arts community should become critical members of any design team working on projects in the district.

Appendices

Public Comments

August 4th & 5th Stakeholder Meetings
During these meetings the consultants met with stakeholder groups to discuss current key attributes, concerns, and potential improvements. The notes are organized first by stakeholder group and second by the nature of comments.

Session 1: Surrounding Areas

Current Key Attributes:
- It's a destination
- Commanding views, especially of South End
- Good vehicular access
- There is potential- though it's not clearly defined
- The area is changing
- ArtSpace is nearby
- Hassle free to get into and move around the city
- Power base for NC- decisions are being made here
- Mix of single family neighborhoods on periphery
- Diversity of building types
- Variety of housing types
- City is evolving into a first tier city
- Chavis Park is great! Recreation, greenways, carousel
- People move here from other places because of access to green space
- Glenwood South is a model for Raleigh because it is accelerating

Concerns:
- No grocery store
- Negative perception of downtown, e.g. one way streets are confusing
- Downtown is poorly defined
- People don't know how to park
- It seems like there is nothing to do downtown
- All needs are met in the suburbs, so why come into the city?
- Downtown housing places are not connected to anything green
- There is no nail salon!
- Downtown is not considered part of everyday life

Potential Improvements
- Great places to walk
- Recognition of the multicultural nature of our city now and how it will continue to change in that way- we should bridge the new diversity of the city with the strong historical background of Raleigh
- We need a spectrum of housing types, various prices, student housing and housing for young and empty nesters, affordable
- Beautiful parks, green space
- Museums are key attraction
- The BEST shopping, maybe clustered together
- Theater- small fourplex would guarantee traffic
- 'Cool' factor has to be there
- Low hassle factor
- Block east of current Civic Center would include Pope House museum, MLK Resource Center, CIAA Museum, African American Cultural Center; this could be a place for a broader global conversation
- Marketing, branding is very important
- The downtown is not too big- the bookends, or anchors are the museums, then we should fill in the middle
- Linkage with the historically black colleges- Shaw and St. Augustine's
- NC State should develop student housing downtown
- Connection to Pullen Park
- Would it be possible to have water downtown?
- Build off of the City of Oaks or Park with a City in it theme
- Famous downtown walks in addition to the Capital City Trail
- People movers? Trolley?
- A flagship library (The State Library and Shaw's Library are already downtown. Could we piggyback with one of them?)
- Water feature is needed
- Nail salon- would go great near new Progress Energy building

Other Thoughts:
- We should find the documents from the proposal for Pan American games- they may be helpful
- Let's look at open space plans for Raleigh and the Triangle
- Competing with suburbs in retail and open space won't happen- it's a different market

Session 2: Convention Center/Hotel

Current Attributes:
- Great attendance at events (350,000 people/year at BTI Center and 300,000 people/year at CC)
- The Alive After Five space is great
- Shaw University has a very nice campus with 2,400 students now, maybe 5,000 students in the coming years
- The Convention Center Plaza works really well- it has a 3,000- 4,000 maximum capacity
- The BTI Center is active almost every night, it's a very successful venue
- The view from the southwest is an iconic view of downtown- you can even see the State Capitol

Concerns:
- There are not enough hotel rooms within walking distance- Downtown Charlotte has 4,100 Downtown rooms while Raleigh only has 755 rooms(2 hotels)
- People aren't walking around the city enough- Where can we walk to?
- The walk from the warehouse district to the South End is not perceived as safe; it is not inviting and there are not enough people around
- Constant parking problems and this will continue to be an issue because parking is not always where it needs to be
- Entertainment zone is not busy enough- people come out of hotels to areas of low street level activity

- The BTI Center needs parking for about 100 performers plus production staff plus attendees- when you add the new Convention Center, parking will be a major issue
- Areas nearby feel disconnected from the South End
- Event related parking in the area on Thursday, Friday, Saturday costs over $70,000 a year
- It's difficult to close streets- some merchants object

Potential Improvements:
- Space for trailer storage for BTI shows
- Shuttle around town to connect places and areas of town
- Good signage to get to other areas- people need to know where to go and how close things really are
- We should create flow from the Convention Center to other downtown activities
- Opportunities for conventioneers to get out of the building and create more private sector investment
- Conventioneers should be able to walk out of the building and see a vibrant, active, unique urban environment
- Close attention to buildings that will face the convention center
- Sites #1 and #2 should draw conventioneers, maybe through entertainment and shopping
- Emphasize the east-west linkages through town- connect the districts
- Use of BTI plaza
- Connection to Centennial Campus is crucial- there are potentially 20,000 employees
- Water feature near downtown
- Public safety is a concern on empty streets
- We need an outdoor venue though we want to make sure not that it doesn't compete with the BTI Center
- The site to the west of the new Civic Center could be used for outdoor events, though there would be lots of traffic noise there
- There needs to be more activities downtown- this area should become a 24 hour, 7 days a week, vibrant neighborhood
- Goal: to have 10,000 people living downtown
- 'Districts' should be multi-purpose and linked together
- There could be a lot of short term residential demands in this area from legislators and lobbyists- this could be a great area for this type of housing
- We want to be able to tie many functions together- tourism, conventions, universities, etc.
- If parking is buried, there should be vertical connections to subterranean parking.

Other Thoughts:
- With festivals, sound is an issue
- Roads are not always a great place for festivals because the space is too linear
- But the Flea Market and the Farmer's Market work on linear sites, but these aren't performances
- Parks are not usable for festivals
- "This is not about making the Convention Center a success, it is about making downtown successful"
- Luxury condos cannot be built on top of Hooter's- it would be too noisy; but housing can be built on top of a fine dining restaurant
- The mediation between ground level shops and the entry to housing above may need to be carefully designed
- The connection of the south with MLK Blvd/Western Blvd is very important
- The opening of Fayetteville St. Mall and the Progress Energy Building will help to bring people to the area
- Will Shaw University build a new arena near the Civic Center? These two sites will have a lot of impact on each other
- There are many opportunities to do a lot more in the area, but everything will be problematic by causing new traffic and parking issues
- The plan for Fayetteville St. includes performance venues
- The merchants who site themselves on the new Fayetteville St. may be more open to street closings because the street being open most of the time will be much better than the current situation
- A by-product of the new Convention Center will be to create more activity
- By 2008 the TTA Rail will be built- the next stop from this area will be the NC State Campus

Session 3: Housing

Current Attributes:
- The Community Development discussed current and future housing projects noting that most Community Development activities through the city are on the east side of Downtown.
  -Jamaica Drive is an 84 unit mixed income rental development near Saunders North
  -Carlton Place is a mixed income development being built just east of Downtown

- The Raleigh Housing Authority shared their success stories of the past few years and shared future plans for around Downtown.
  -Chavis Heights is about to be redeveloped
  -Halifax Court has 163 units
  -Walnut Terrace- 300 units
  -Heritage Park
  -1 bedroom units are in high demand
  -RHA works on a four year cycle
  -Capitol Park was on time and under budget- a very successful project!

Potential Improvements:
- More mixed income housing
- Ice skating rink
- Family friendly activities
- Retail
- Major library
- Water feature close to or in downtown
- Dancing fountain or other fun water activity for kids because they love water
- Movie theater
- Contemporary Science Center

Session 5: Property Owners/Business

Current Attributes:
- Low crime rate
- Great weather

- Shaw University has a well articulated thoughtful plan for its expansion north and south

Concerns:
- Ingress and egress into and out of Downtown are critical, both for general reasons and emergencies
- Downtown has two strong dual functions- Business/Government and Entertainment/Arts; where these two uses begin to overlap creates conflict
- Perception of crime in the area
- Social services attract panhandlers
- Negative perception of Downtown derives from the presence of panhandlers; currently there are no ordinances against them
- No sense of arrival into downtown
- Lack of affordable housing
- People use the railroad bed to cross Western because it is so dangerous
- Many car break ins at Chamber of Commerce and NCAE
- Traffic will increase with new development
- Parking decks tend to CAUSE traffic problems- people entering and having to fish for change; this problem can be managed
- Shuttles to and from the airport are not yet economical
- Demand for housing in Downtown Raleigh exceeds supply, driving prices upward

Potential Improvements:
- Restaurants
- Relocation of social services to mitigate problems with panhandlers
- Outdoor activities including outdoor dining
- Quaint shops, quaint cafes
- Streetcars, trolleys
- Transit access to the area from outside of it- a means to get to work and to get around
- Coordination of parking programs throughout the Downtown
- People would like to have the ability to walk around the area comfortably
- Buildings should incorporate sustainable design features
- Signage and formal entrance into downtown
- Parking must be identified with good signage
- Row houses and townhouses need to be built close
- Density is acceptable in this area
- Boutique shopping and attractive cafes at site #1
- Site #1 should be a big draw
- This area should be attractive and upscale
- Parking should be accommodated around site #6
- Affordable housing
- We will need to work to control rising housing prices
- Waterfronts are strong attractions in cities- what could we do to create something like this?
- A symbol that distinguishes us and builds our identity is needed- 'Oaks' vs. 'The Capital'
- Sir Walter Raleigh could be a unique symbol
- Security is critical in the area- the area around the railroad tracks should be well maintained
- Raleigh Business and Technology Center needs more parking

Other Thoughts:
- Shaw University shared its vision for expansion to the north and south, which focuses on quality before quantity and attention to urban design principles
- Shaw University currently has room for 800 students in its old dorms, will add space for up to 500 students in new dorms
- "When we build for affordability, this affordability won't last for long unless city programs exist that will help to keep that housing affordable."
- Sheraton visitors self park; there is no valet parking yet
- "It's not the building, it's the package."

Session 6: Transportation/Parking

Current Attributes:
- Water and sewer capacity will accommodate new development
- New TTA Light Rail station will be sited at western end of Hargett St.
- TTA's plans go beyond Parking Studies, they are planning for a network of access and a system of mobility
- Between Hargett and Martin, Salisbury and Wilmington, the road is being narrowed to allow expansion of the sidewalks on the south side of the street; this will allow the creation of on-street dining.

Concerns:
- NCAE and Chamber of Commerce Properties are suburban in the middle of an urban area
- The main approach into the city from the south is NOT attractive
- We should avoid creating 'gerbil tubes' where people can go directly from parking to Convention Center without ever being on the street
- Traffic moves too quickly on the one way streets

Potential Improvements:
- East Trans System could go south with a stop near Shaw and maybe the Chamber of Commerce/NCAE sites- this system would be used primarily for peak trips in the morning and afternoon
- Public transit
- Along the McDowell-Dawson one-way pair, explore the use of overpass vs. on-street connections.
- Creation of a good experience for people who will drive into the city, especially from the southwest
- There may be opportunities for medians on certain streets in the Downtown
- Buildings could have a ground floor setback to create an arcade- this way people could be protected from the elements while still walking on the street from parking to attractions
- Along the Mc-Dowell-Dawson pair, good intersection design is critical to establish strong pedestrian connections- use of bump-outs, crosswalks, etc.
- The development community would like to see one way streets converted to two way streets in order to build residential units- the traffic has got to move at less than 35 mph
- Fayetteville Street will FAIL if does not connect through to the BTI Center
- People need to be able to drive by the front door of their destination; the street should NOT be a cul-de-sac
- The area should be interesting to walk around
- Street between sites #2 and #3 should have a plaza feel
- Rails built into Fayetteville Street for a possible trolley or streetcar

- Exploration of mid-block crossings is important for pedestrian connections thought this may not be feasible for several years
- Exploration of mid-block alleys
- Movie theater
- Health club
- Daycare facility
- Library
- Bakeries
- Grocery store
- Flower shops
- Butcher shops
- Museums are essential- the Contemporary Art Museum has just opened, Children's museum
- Thoughtful open space plan for Downtown
- Public library
- The street should offer a variety of sensory experiences
- The design of buildings should be interesting so that people will like to walk by them
- What is the possibility of offering health services downtown like dentists or urgent care?- university students and office workers use services like these
- Open space, parks and plazas are important downtown
- We need to create opportunities for live/work studios and office space for business start-ups
- Parking management is crucial- spaces should be used at all times

Other Thoughts:

- Discussion of traffic flow through downtown ensued, including benefits and disadvantages of conversion to two way traffic
- A study of loading zones downtown is currently being conducted
- McDowell and Dawson form a one way pair- this is reasonable because of the amount of traffic on those roads
- "Let's not preclude two way streets from happening sometime in the future so that it can evolve with the next generation."
- Smaller sites are better for retail
- Don't design out so that spaces can't be flexible in the future
- We should look into form based codes
- "Downtown is not a throughput, it's a destination"
- We need to decide which streets are our 'A' streets and which streets are our service streets
- We need to be careful about the retail we add so that we don't compete with Fayetteville St.

Session 7: Design Community

Current Attributes:

- Existence of 'City Living Room' where we gather as a community
- Small town feel is important to keep
- Empty nesters and young professionals are looking at downtown as a great place to live

Concerns:

- New housing is too expensive
- Not enough people live downtown
- No place for young professionals to live downtown
- Downtown ends abruptly at railroad/MLK Blvd
- We don't want to create a 'Chain World'
- We need to be careful that we don't create a vertical suburb

Potential Improvements:

- Traffic should go through to BTI Center on Fayetteville St.
- We need a City 'Living Room'
- Because cities are about activity, that is what we would like to see here
- New developments must be multi-use and incorporate housing
- People should be able to do many things very close by
- Grocery store
- High rise condos should be included on site #1
- We need housing that 'urban pioneers' can afford- housing at $120/square foot, not all of our housing can be at $250/square foot
- We must define a path of travel from Warehouse District to Convention Center
- People mover from Centennial Campus to Convention Center
- We must carefully consider the character of Raleigh- are we going for Michigan Ave. or Franklin St.?
- We need to nurture the small town scale that Raleigh was founded on, though we have very big blocks
- The Convention Center will be one of several catalysts in the city that will support Raleigh's transformation
- We need rooftop activities
- Housing should be created first, then retail and restaurants will follow
- Many smaller developers would be preferable to one large developer
- These wouldn't necessarily be small developers, just developers working at a finer grain
- Diversity of designers, diversity of developers
- We need to reach out to people in the suburbs
- We need parks that people can walk through after dinner
- Connections to Dix, Farmer's Market, Centennial Campus
- Natural feature, like water
- The scale of Downtown should peak at Fayetteville Street and gradually decline towards the surrounding neighborhoods

Other Thoughts:

Where will Convention Center cars park?

- Fayetteville St. can be closed block by block for festivals and other events
- "The great thing about cities is that there is so much going on."
- Housing consumes less parking spaces than office or retail
- The Convention Center in Seattle bridges I-5, creating strong connections
- How many restaurants can the downtown really support? Can the market really support this much development?
- 30,000 people a year move here
- 57% of residents come down here once a year or never- this is a huge
- untapped market

Session 8: Neighborhoods

Current Attributes:

- Strong arts and music opportunities
- Start-up companies are moving down here
- Vacancy rates for offices are at 5% downtown and have been for a while- vacancy rates have been hovering at 10% in the suburbs

Potential Improvements:

- The Convention Center area should be a tourist attraction, both nationally and regionally
- The Convention Center area should be for Raleigh residents, regional visitors and national tourists
- We could be a Chatanooga, we don't want to be another Greensboro
- The Convention Center's focus is on a broad audience
- Charlotte's Third Ward is a thriving part of town and part of history
- We should create business magnets that will attract other businesses
- We need to create places that the whole community can embrace
- NC State Student Housing would be a valuable asset to downtown
- "We want for people to say that Raleigh has that really great__________"
- Jazz would be a great draw
- Juke joints, barbershops, stores
- Free activities- museums, biking
- New Yorkers who resettle here may be looking for great delis
- We need to employ urban strategies- to attract urban oriented people from around the city AND from other cities
- Small Mom and Pop scale would be preferable to the 'Mega Mall'
- Infill architecture
- Buildings that are active on the ground floor
- Fayetteville Street should continue through to the BTI Center
- We should allow high rise development
- Offices may do very well here, especially small start-up companies who are moving their businesses from their homes
- For office, we must be willing and able to compete with RTP, which the cities are hesitant to do
- A place to get a quick massage
- Have the developer make money by going high and this will subsidize the lower rent for retail space on the first floor
- Multi-use sites
- "Variety is the spice of life"
- Conservatory filled with flowers in front of the BTI Center
- Carolina Barbeque Restaurant that serves types of barbeque from all regions of North Carolina
- Basement bowling alley
- Soccer field on a roof
- Downtown Frisbee golf
- Indianapolis has a great urban mall- these need continuous demand to survive
- Exhibition Center to tell the RTP Technology story
- The following responses on what downtown Raleigh could be like came from a personal survey done by Lillian Thompson.
- Restaurants:Bring Yancy's back with better food, provide soul food restaurants with decks, seafood restaurants, ethnic restaurants, bakery, deli.
- Independent Book Store with coffee and pastry/sit down areas
- Grocery store with cooking classes
- Movies/ Video store that rents/sells foreign flicks/ ethnic films from around the world and America
- Shaw Jazz and Performance Club for live and DJ Jazz
- Place for Ethnic Bands and Dancing
- Black Entertainment
- A Cabaret Club for Acts/Black Entertainment
- A child/adult health club

Other Thoughts:

- "The idea here is that the community will tell the developers what to do rather than the other way around."
- There is a proposal for Ligon Square along Blount St, near Shaw
- St. Joseph's Foundation at the Hayti Heritage Center in Durham is an inspiring example of what can be done in revitalization
- Raleigh- the city in the trees

September Charrette

During the September charrette a diverse group of citizens contributed their thoughts on the cultural convention center district through a S.W.O.T analysis, which the consultants facilitated. A S.W.O.T. analysis is a process to identify strengths, weaknesses, opportunities, and strengths.

Strengths

- Parking – lots of it
- BTI center
  - views to and from
  - large gathering space in front
  - draws lots of people
- Mall = good walking connection
  - use Charlottesville as example.
- Cultural center that could be capitalized on
- Raleigh has environment that draws people; it is the center, capital, but government focus isn't enough.
- Postcard view
- It's small, understandable, compact (what is? downtown?)
- Entry, exit are easy.
- City Market – proximity to park
- Renovations to Shaw
- Office of Employment – pedestrian crowd it presents
- Hudson
- It is very walkable.
- Don't get bored
- Pope House
- Transit station
- Diverse architectural character of historic buildings along mall
  - Post Office
  - Sir Walter Raleigh Hotel
- Physical scale on Wilmington St. compared to Salisbury St.
- Landmark of courthouse
- Elementary schools
- Chavis & A-21 tract
- Art-related businesses; existing arts district

Weaknesses

- Lack of continuity
- Need for theme
- No downtown shopping
- City Market is isolated.
- Some of the thresholds aren't nice.
- We aren't thinking outside the box.
- Our continuity has been dispersed…do we want to recapture it or start fresh?
- Surface parking very uninteresting, but surface parking dominates. Dead space. Area to avoid.
- No sustainable resources for residents
- No draw into squares – Moore Sq. and Nash Sq. have no amenity.
- Chain link fences around Shaw.
- Barbed wire – isolation
- Area around Pope House, back side of parking deck
- Hard to get to from North Raleigh
- Entrance from N. Salisbury
- No activity after 3:00, no weekend activity
- No breakfast place better than McDonald's
- No residential
- Lighting insecurity, empty spaces – perception of safety
- Linkage from Cabarrus garage & BTI center
- Lot 6 is low elevation, not viewable.
- Hard to describe how to get downtown
- Hard to pull off and stop from Dawson or McDowell
- Hard to get in car to go from dinner to BTI show
- Poor thing to have lights timed, can't stop and look.
- Car dealerships
- Glenwood economically segregated
- One-way streets
- Lack of street parking
- Security & lighting
- MLK / Wilmington intersection is a barrier.
- Downtown needs a grocery store!
- City is not lively 24/7.
- Uses missing in cultural district / downtown:
  - Residential (especially affordable)
  - Eclectic shopping
  - Public gardens
  - Live music
- Plaza north of existing convention center too big (hard to fill it)
- Hard to get oriented, as Fayetteville St. is ridge (can't see over it)
- Not many people living downtown now.
- Need people to support movie theater.
- Perceptions:
  - Chapel Hill – intellectual town
  - Durham – blue collar town
  - Raleigh – yuppie town
- Downtown is a dangerous area (perceived but not necessarily true).
- South St. is one-way (should be 2-way).
- Train frequency? (site #5)
- South Street needs conscious change
- "Gaps" need to be eliminated.
- Streetscape along S. Wilmington St. – additional trees
- People don't want to walk from BTI (to where?)
- BTI is dead when not in use.

Opportunities

- Entrances – approach can draw you in.
- East-West views
- Links to east/west neighborhoods
- South Charlotte – build continuity – WAREHOUSE
- Top flight – we have the room to build.
- Significant attraction
- There is no competition.
- Cultural mix – blend the black and white line.
- Need commerce as connector.
- Many successful cities have a THEMATIC FOCUS. example: Annapolis
- Underutilized buildings – POTENTIAL LINK
- Better fence around Shaw
- Restore Sir Walter
- New convention employees
- Clusters of restaurants – choice attracts people.
- Blount St. nice area for restaurants.
- Mixed use, apartments upstairs
- Something to draw people into parks that says you are in downtown Raleigh
- Sir Walter in parks (statues/monuments?)
- Surface parking can become green space.
- Link to surrounding areas.
- Students density
- Commercial connection to Shaw
- Wayfinding – unique banners that say you are in downtown
- 2-way traffic
- Sir Walter Chevrolet
- Greater diversity of uses
- Glenwood South racially segregated, this area has potential to have diversity.
- Can build off of surrounding environment (unlike plots of land in suburbs).
- Pedestrian environment
- Retail can create something unique
- Commercial clothing shops, gifts
- Live & work – express stores
- Office functions (Kinko's, Fedex)
- People who come to convention center
- Mixed use, coffee shops
- Grocery store – small or large
- Movie theater – 2 screens – draw upon 40's and 50's
- Doctor's offices, dentist, everyday needs
- Bookstore, library
- Ice skating rinks – family entertainment
- Family-oriented recreation
- Children's activities – programs, classes
- Adult recreation classes
- Unified design that draws on what we have, but update it.
- Decide on the look.
- Not super tall – new Progress building as max. We are maxed out on offices.
- Partner with associations – pull them into government.
- Blend existing district with combination of upscale cultural retail district.
- Reflect continuous thematic focus.
- Build on assets – create partnerships between Shaw, convention visitors, neighborhoods
- Openness & diversity
- Generate more traffic by appealing to all Wake County
- Creation of neighborhood
    - Day to Day
    - Parks
    - Entertainment
- Opportunity for diverse social and economic environment
    - Racially: historic African American neighborhood
    - Wilmington St.
    - Pope House
    - Shaw
    - Don't be Glenwood South
- Encourage natural evolution
- Ownership pattern lends itself to guide development towards these goals.
- Connect to surrounding neighborhoods.
- Water feature / fountain
- Like San Antonio riverwalk
- Continue outdoor events during construction in Nash Sq. or Moore Sq.
- Recycle paving materials from Fayetteville St.
- Encourage large public artwork
- Encourage façade improvement, projecting canopies
- Outdoor dining
- Need to market Downtown on internet
- Need to orient pedestrians
- Area should be lively to attract conventions
- 2008 is the birthday of a new Raleigh
- Concentrate on eating establishments
- Mixed use buildings
- Create something unique that you can't get elsewhere.
- Connect to neighborhoods – live, work, play.
- Use properties to support convention center.
- Reopen Fayetteville St.
- Eat, activities around convention center
- People concentrations: daytime at convention center, nighttime at BTI.
- Art / independent movie theater
- Multiplex behind new convention center
- "Tivoli" (Copenhagen) amusement area – can be transition from green to urban
- Moderate cost-effective housing (city can control it on their own property)
- Boutique mall on site #4
- "Green" South St.
- Grocery store further down South St.
- One or two smaller scale hotels
- Bring Shaw's activities closer to edge

- Library at old convention center
- Mixed residential across from old convention center (tapered in height from west to east)
- Dense residential
- Make all properties in front of BTI green space
- Flowers and vendors
- Cultural emphasis important – arts & entertainment
- Further emphasize east end of downtown
- Built fabric vs. leaving open space as park
- Memorable space
- Places to sit, eat, shade.
- Pedestrian friendly
    - Wider sidewalks
    - Lower building fronts
- Green space uses:
    - Vendors
    - Open air markets
    - Farmer market
    - Food – small groceries: fruits, vegetables, fish, specialty
- Outdoor amenities – eating, sun, green
- JAZZ – we've got the history
- Plaza/promenade
- Mall – cultural gathering space
- Theater – burning coal
- Fountain – there are underground streams. view of water can draw you.
- Artists
- Mixture – best food, best entertainment, best education, best retail
- Need downtown venues to pull you in, compete with suburbs, but we can't suburbanize downtown…we will lose what makes it special.
- More green isn't necessarily better.
- BTI center forecourt 300 ft.
- Need to acknowledge Fayetteville St. with terminus.
- Fayetteville St. parking entrance is WRONG – put it on Lenoir.
- Fayetteville St. easy to block off for special events.
- (Need upscale restaurants, jazz clubs.)
- Mall could be stronger if used properly - use Charlottesville as example.

Threats

- Losing the mall
- Don't compete with suburban retail
- Monoculture
- No theme, hodgepodge
- No connection
- Surface parking
- Need smaller, funky housing
- Don't extend Fayetteville St.
- People have to be able to see / drive by where they want to go (not necessarily park by it).
- Bleak, dead walls (don't want them)
- Tame (visually slow) entrance to back of convention center
- We are crowding the BTI center – that's bad: dwarfing our best building, obliterating connection to convention center (but some great buildings are surrounded by tall ones).

Participants in the August 4th & 5th Workshops

Surrounding Areas	
U. Sean Vance	V3.0 / Freelon Group
Alyssa Durden	Cooper Carry (Fayetteville Street Mall project)
Ricardo Perez	MLK & Multicultural Community Advocate
Dick Bailey	Parks & Recreation
Dhanya Sandeep	Raleigh Planning
Dean Fox	Raleigh PublicWorks (Fayetteville Street Mall project)
Jeanne Ctedrow	MLK Board
Bonnita L. Hargis	MLK Resource Center
Eleanor Jordan	United Arts Council
Terri Dollar	Artsplosure

CC/Hotel	
Dave Heinl	Greater Raleigh CVB
Martin Armes	Greater Raleigh CVB
Mara Smith	Convention Center
U Sean Vance	V3.0 / Freelon Group
Mark Roe	Convention Center
Roger Krupa	Convention Center
Steven D. Schuster	Convention Center
Jay Smith	O'Brien Atkins Associates

Housing	
John Kopanski	Raleigh Housing Authority
Gail Keeter	Raleigh Housing Authority
Dick Bailey	Parks & Recreation
Natalie Connell	DHIC, INC
Michele Grant	Raleigh Community Development

Property Owners/ Businesses	
Brenda Ratledge	Greater Raleigh CVB
Jeffrey Fluck	Raleigh Police – Downtown
Shirley Tucker	Greater Raleigh CVB
Suzanne Hinde	Sheraton Raleigh
Joyce E. Jarrett	North Carolina Associate of Educators
Charles Hall	Integrity Real Estate
Jyoti Sharma	Wake County Public Schools
Rodney Bizzell	Raleigh Budget Office

Transportation/Parking	
Donna Jackson	Raleigh Public Utilities
Norman Hale	Raleigh Public Works
Carl Dawson	Raleigh Public Works
Robert Bush	Wilbur Smith Associates
Juanita Shearer-Swink	Triangle Transit Authority
Crystal Hall	CBRE
Doug Redford	Lennar Partners
U. Sean Vance	V3.0/Freelon Group

Design Community	
Jessie Lennon	City of Raleigh Arts Commission
U. Sean Vance	V3.0/Freelon Group
Doug Hill	Raleigh Planning Department
Sam Franklin	Hager Smith Design
Dan Huffman	Cherry Huffman
Ted Van Dyke	New City Design
Brian O'Haver	Cole Jenest & Stone

Neighborhoods	
Jeff DeBellis	South Central CAC
Doug Bethune	Raleigh Community Development
Dan Coleman	East CAC Chair
Lillian Thompson	Southeast Raleigh Assembly
Andrew Stewart	Empire Properties
U. Sean Vance	V3.0/Freelon Group

Invited participants in the September Charrettes

Shaw University	
Mark Williard	Mark Williard Associates
Martel Perry	Shaw University Long Range Planning
Claud Flythe	Shaw University Community Relations

Entertainment	
Roger Krupa	Convention Center
Doug Grissom	Convention Center
Dave Heinl	GRCVB – Director
Michael Lowder	Artsplosure Exec Director
Terry Dollar	Artsplosure Program Director
Diane Smith	City of Raleigh Arts Commission
Dick Bailey	City-Parks & Recreation
Martha Armes	GRCVB
Marcy Hege	International Festival
Betty Baker	Cap Area Visitor Center
Betsey	

Transportation	
Dale Crisp	CoR Public Utilities
Carl Dawson	CoR Public Utilities Director
Eric Lamb	CoR Transportation
Mike Kennon	CoR Traffic Engineer
Norman Hale	CoR Parking Administrator
Donna Jackson	CoR Public Utilities

Stephanie Toftey	CoR Transit
Jay Bennett	NC DOT / Roadway Design Unit Director
Robert Bush	East Trans / Wilbur Smith Director of Trans Planning
Juanita Shearer-Swink	Sr. Transportation Planner / TTA
Bill Hood	Fayetteville St. Mall
Doug Redford	Lennar Partners Sr. Ass. Manager (Hannover Deck)
Frank Baird	Capitol Associates (Hannover Deck)
Crystal Hall	CBRE
Phil Stout	Wake County Facilities Design & Cons.
Glen Blackley	Wake County
Ed Johnson	CAMPO
Jeff Mann	AmTrak
Joe Henderson	North Carolina
Bobby Poole	North Carolina
David Shouse	Parks & Rec bikes

<u>Convention Center Hotel</u>

Wayne Baker	City
Steve Schuster	Clearscapes
Mark Roe	Heery
AJ Deal	Heery
Roger Krupa	CC
Dudley Lacy	
Jay Smith	O'Brien Atkins

<u>Community Advisory Committee / South East Raleigh Assembly</u>

Lawrence	Wray	Business Tech Center. Asst. CM
Lillian	Thompson	SERA Staff Director
Nicole	Sullivan	Central CAC
Lynette	Pitt	East Community
Alan	Wiggs	Falls of Neuse Community
Philip	Poe	Five Points Community
Richard	Bostic	Glenwood Community
Fran	Robertson	Hillsborough Community
Phillip	Bernard	Mordecai Community
Tom	Slater	North Community
Octavia	Rainey	North Central
Bob	Mulders	North East
Jay	Guderman	North West / Umstead
Ed	Elliot	Six Forks Community
Norman	Camp	South Community
Danny	Coleman	South Central Community
Bill	Lynn	South East Community
Mary		
Belle	Pate	South West Community
Bill	Padgett	Wade Community
Kim	Joris	West Community
Tom	Slater	Raleigh Citizens Advisory

		Comm
Tyler	Toulon	SERA- Housing Chair

<u>Property Owners</u>

Joyti	Sharma	Wake Schools- Director of Facilities & Planning
Glen	Blackley	Consultant
Julian	Prosser	City - Properties
Greg	Pollard	City- Properties
Rodney	Bizzell	City-Properties
Joseph	Henderson	Dorothea Dix
Lawrence	Wray	City - SERA - Business & Tech Cente
Jeffrey	Fluck	Downtown District
Shirley	Tucker	GRCVB
Kelvin	Spragley	NC Association of Educators- Ass. Exec Dir
Colleen	Borst	NC Association of Educators- Ass. Exec Dir
Joyce	Jarrett	NC Association of Educators- Ass. Exec Dir
Charles	Hall	Integrity Real Estate (Shaw U)
Harvey	Schmidt	Chamber of Commerce- Pres & CEO
Ken	Zogry	Pope House Museum Foundation
Ed	Willis	McDonalds
Frank	Anderson	Frank Anderson Lot
Tom	Trocheck	Progress
Adrianne	Cole	Chamber of Commerce
Leon	Jordan	Vertigo
Suzanne	Hinde	Sheraton
Brenda	Ratledge	GRCVB
Roland	Gammon	White Oak Prop
James	Massengill	Progress CPL
John	Boylan	Spectrum Prop
Rhody	Dillon	Dillon Com Real Estate
Gary	Greenshields	Greenshields
Carter	Worthy	Carter Worthy Commercial

<u>Surrounding Area Plans</u>

Alyssa	Durden	Cooper Carry FSM
Bill	Hood	Mulkey FSM
Dean	Fox	CoR FSM
Sam	Reynolds	Reynolds & Jewell FSM
Jack	Davis	Jdavis Architects - Downtown West
Dhanya	Sandeep	CoR Downtown West
Ken	Maness	CoR Downtown West
Vick	Lebsock	CoR Parks & Rec
Steve	Demastrie	CoR Parks & Rec

Eleanor	Jordan	United Arts Council
Jeanne	Ctedrow	MLK/Pope House/ AACC
EB	Palmer	MLK/Pope House/ AACC
Ricardo	Perez	MLK/Pope House/ AACC
Bonnitta	Hargis	MLK/Pope House/ AACC

Housing

Steve	Beam	RHA-director
John	Kopanski	RHA
Wayne	Felton	RHA Hope VI
Gail	Keeter	RHA-director of development
Francis	Smith	RHD-development
Michele	Grant	CoR -Community Development Director
Doug	Bethune	CoR -Community Development
Ken	Maness	CoR Homelessness Plan
Roland	Gammon Cabell-Baum	White Oak
Ann	Anderson	White Oak Properties
Greg	Warren	Downtown Housing Incorporation
Natalie	Connell	DHIC
Dick	Bailey	Parks & Recreation
Steve	Beam	RHA- Director

Design Community

Jay	Smith	O'Brien Atkins Associates
James	Thiem	HagerSmith Design PA
Ted	Van Dyke	New City Design Group
Irvin	Pearce	PBC + L Architecure Principle
Michael	Stevenson	Kling Design Principle
Louis	Cherry	Cherry Huffman
Huffman	Dan	Cherry Huffman
Brian	Starkey	OBS
Roger	Henderson	Kimley-Horn & Associates
Brian	O'Haver	ColeJenest & Stone
David	Maurer	Maurer Architecture
Mack/Susan	Little	Little & Little Land Arch
Jon	Zubizarreta	Innovation
Dan	Sears	Sears Design Group PA, LA
Kurt	Eichenberger	Eichenberger AIA
Sam	Franklin	Hager Smith Design PA
George	Carter	Flad @ Associates
Aly	Khalfia	Design Box
Andrew	Stewart	Empire Properties
Greg	Hatem	Empire Properties
Gary	Cline	Cline Design
Mike	Kavanaugh	Cherry Huffman
Mark	Reyer	Kling
Diana	Williams	AIA Triangle
David	Brown	OBS
Carla	Delcambre	Reynolds & Jewell
Dave	Delcambre	NC State Student
Robert	Bush	Wilbur Smith Assoc
Jeff	Davis	Jdavis Architects
Douglas	Hall	BBH Design
Roger	Henderson	Kimley-Horn & Associates
Dudley	Lacy	O'brien Atkins Associates
Marianne	Mansour	Integrated Design
Michael	Phillips	Phillips Architecture
Steve	Player	Wooten Co.
Sam	Reynolds	Reynolds & Jewell
Michael	Stevenson	Kling
Rodney	Swink	Rodney Swink
Mark	Williard	Mark Williard Associates
Larry	Zucchino	Jdavis Architects
David	Benson	Artist
Andrea	Bogart	State Capitol
Rod	Brooks	Exploris VP-Administration
Ed	Burgess	Artist
Marty	Clayton	Progress Energy
Caitlin	Cleary	News & Observer
Denise	Dickens	Phoenix Partners
Sharon	Canter	Phoenix Partners
Bob	Doster	Glance Gallery
Ben	Galata	Galata Designs
Kathy	Gruer	citizen
Lee	Hansley	Lee Hansley Gallery
James	Burnette	Public Art Committee
Eleanor	Jordan	United Arts Council
A.	Kaplan	citizen
George	Le Chevallier	Artist
Doug	Longhini	Wake County
Molly	Miller	Bickett Gallery
Lee	Moore	Rebus Works
Al	Newsom	Blue Brazil
Rory	Parnell	Raleigh Contemporary Gallery
Rhonda	Peters	Contemporary Art Museum
Mary Moore	Ritchie	Arts Commission
Barret	Roebuck	Susan Hatchell Land Arch.
Thomas	Sayre	Clearscapes
Nicole	Welch	Contemporary Art Museum
K.	Work	obs Landscape Architects

Institutions

Thomas	Campanella	UNC Planning
Kristen	Ford	

		Tom Camp contact
Bob	Geolas	NCSU
David	Stein	NCSU College of Design
Achva	Stein	NCSU College of Design
Tom	Barrie	NCSU College of Design
Laurie	Ringauert	NCSU Universal Design
Rob	Moore	NCSU
Julie	Sherk	NCSU College of Design
T.H	Mitchell	Moore Sq. Magnet School
James	Ross	Peace College
Dianne	Suber	St. Augustine's College
Ibis	Villegas-Pagels	Exploris Middle School
Marvin	Malecha	NCSU

<u>Environmental</u>

Dennis	Osburn	NC State
Mary Louise	Bellamy	
Doug	Brinkley	USGBC-Triangle Ch
Renee	Hutcheson	
Brian	Ketchem	NC DOT- sust.
Jyoti	Sharma	Wake County Public Schools-Director Facility Planning
Laura	Lombardo	NCSU Water Quality
Chris	Lesczynski	People for Parks
Chair	Sierra Club	Sierra Club
Vice Chair	Sierra Club	Sierra Club
Barbara	Avery	Sierra Club
Frank	Baird	Concerned Bikers Association
Wade	Bemis	Concerned Bikers Association
Gail	Rumler	Concerned Bikers Association

Hunter Interests Interim Reports – South Raleigh Development Strategy

Introduction

This report represents a compilation of interim reports, or Technical Memoranda, prepared by Hunter Interests Inc. during the course of work on the South End Development Strategy. This strategy involves analysis and recommendations pertaining to six City-owned parcels in the general vicinity of the Convention Center Cultural District. It also involves the assimilation of extensive public input, a parallel urban design, and a planning and architectural study that are the subject of a Final Report document being prepared by HDR, Inc. Summarized observations, findings, and recommendations made by Hunter Interests are incorporated into the Final Report document. The six Technical Memoranda that comprise *this* document provide greater detail on a number of development factors, and also provide background information and methodologies.

It should be understood that the master planning process is an iterative one, and the market and financial analyses that are part of the process also evolve as the project(s) take shape. Therefore, the Technical Memoranda should be viewed in the context of a chronological progression (1• 6), in which sites, conceptual plans, and associated economics have gained focus.

A brief statement regarding the purpose and content of each of the six Technical Memoranda follows:

Technical Memorandum #1 – Conceptual Building Programs
The Tech Memo actually incorporated preliminary findings of the market and demographic analysis, site analysis and evaluation, and preliminary financial feasibility assessments for projects to be located on the six Cityowned parcels. It also constituted assimilation of input from the client group, other members of the team, public workshops, stakeholder interviews, etc. To some extent it should be viewed as the starting point from which further analysis, planning, and design work continued.

Technical Memorandum #2 – Developer Interview Summary
As part of the work program for Hunter Interests numerous stakeholders in the community were interviewed to gain the local perspective and insight on downtown development, individual markets and projects, and to otherwise assimilate this input into the overall analysis. Most of these interviews were conducted with development companies with a local, regional, and in some cases national business base. In some cases the interviews were with individuals, while in others several key partners and/or staff attended. This Technical Memorandum summarizes the key points made by the interviewees.

Technical Memorandum #3- Projects in the Development Pipeline
As part of the market analysis, it was important to gain an understanding of emerging and planned downtown development projects. In this Technical Memorandum an effort was made to summarize the mix of residential, office, and mixed use projects that are being completed at this time, or are in some phase of development planning. As new projects are being talked about or planned all of the time, it is virtually impossible to capture the universe of projects in the development pipeline. In this Technical Memorandum, 15 projects are summarized.

Technical Memorandum #4 – Parking Needs Assessment for Conceptual Building Programs
This Technical Memorandum conveys a preliminary assessment of off-street parking requirements for conceptual building programs proposed for Sites 1• 4, and 6 in the South End Study area. The main Final Report contains recommendations pertaining to the need for a comprehensive downtown parking analysis. The assessment summarized in this Tech Memo nonetheless projects order of magnitude, net new space requirements.

Technical Memorandum #5 – Fiscal Benefits Analysis
At the request of the City, Hunter Interests performed a fiscal analysis that estimated returns to the public sector in the form of various taxes and fees. Specifically, these revenues included real property taxes, storm water fees, sales taxes, and hotel and prepared food taxes.

Technical Memorandum #6 – Financial Analysis of Conceptual Building Programs
This document represents a revised version of the financial assessments for sites put forth in the original Technical Memorandum #1. The revisions occurred in response to changes in location, configuration, and mix of uses that arose from an intensive charrette process, planning work, and further understanding of the market and other development dynamics in Raleigh.

Raleigh Technical Memorandum #1

To: City of Raleigh, NC

From: Hunter Interests Inc.

Subject: Conceptual Building Programs

Date: July 28, 2004

I. Introduction

This Technical Memorandum conveys a set of four preliminary conceptual building programs for further analysis and discussion, as they relate to potential development in the south Raleigh study area. The building programs are based on a combination of a view toward establishing projects that are complimentary to the new convention center and headquarters hotel, in keeping with the Livable Streets plan and proposed Fayetteville Street Renaissance plan, and pursuant to a preliminary market scan and financial feasibility assessment.

The conceptual building programs will be revised pursuant to findings of the "bottom up" side of the market analysis that will be conducted, in part, through stakeholder interviews with developers. In addition, as the study process continues to include evaluations of existing and planned development, the financial projections will be refined and applied to the programs. To a large extent the conceptual building programs will be shaped by the planning and design process, and the concepts suggested herein are meant as a starting place only.

At this stage, no attempt has been made to project parking demand or to suggest supply solutions. However, it is clear that a significant amount of structured parking is going to be required in conjunction with the overall south Raleigh development strategy. With regard to site, the conceptual programs are placed in the context of Tracts delineated in a developer RFP, although planning and design work may have a strong bearing on how and where projects are developed.

II. Conceptual Building Programs

Tract 1. Parking lot east side of future Fayetteville Street, between the BTI Center for the Performing Arts and the existing convention center.

Complimentary Mixed use / Commercial Project 100,000 GSF

The concept is distinguished by active lower floor uses that together would comprise a restaurant/entertainment center. Included would be specialty retail stores and signature restaurants that have synergy with both the new convention center and the BTI Center. The concept also calls for arts and cultural space, as well as space that could host nonprofits or other organizations that will play an integral role in the vitality of downtown. Financially, the project would be further supported by commercial/office space that could host an anchor tenant, or mix of professionals and other users.

- Restaurant/Entertainment = 40,000 square feet Cluster could include jazz club or other live entertainment venue, upscale signature restaurant(s), configured to enliven new Fayetteville Street Edge.
- Arts/Specialty Retail = 30,000 square feet Also lower levels. Galleries, space for nonprofit organizations, etc., in "Culture Cluster" designed to take advantage of synergies with the BTI Center for the Performing Arts. Specialty retail could possibly include "Made in Carolina" store, North Carolina sports merchandise store, golf, or other recreation-related retail
- Commercial/Office = 20,000 square feet Upper floor related commercial office uses (architects, designers, real estate management, law, and other professional).
- Public Space = 10,000 square feet Possibly public art or museum space, indoor/ outdoor plazas for dining etc.

Tract 2. Parking lot west side of future Fayetteville Street, between the BTI Center for the Performing Arts and the existing convention center.

High-End "Boutique" Hotel / Condo Mixed Use Project 100,000 GSF

The concept is anchored by a luxury "boutique" hotel property that would augment the room supply for the new convention center, coupled with for-lease space that could host signature restaurants and/or retail space. The project concept also calls for 20 luxury penthouse residences whose owners would have access to hotel services and amenities. This concept has been successfully developed by Ritz Carlton properties, among others, and offers residents a unique living environment.

- Boutique Hotel 80 rooms = 60,000 square feet High-end hotel property that features exceptional levels of amenities and services, and targets the highest strata of the convention/business/leisure travel market. Could be themed after one of Raleigh's old grand hotels, or feature the most modern "European -style" ambience.
- Condo/Hotel Residences = 30,000 square feet High-end, penthouse-style dwellings that cater to affluent seniors seeking service amenities associated with the hotel that could include laundry, cleaning, food/beverage delivery, etc.
- Signature Restaurant/Retail = 10,000 square feet Another restaurant to compliment others being developed nearby could be part of the hotel, or operated separately. Top-of-the-line chophouse such as a Ruth's Chris, Shula's, etc., might be a possibility.

Tract 3. South Salisbury Street site, at the intersection with Martin Luther King, Jr., Boulevard

Southeast Residential "The Campus" Commercial Project 250,000 GSF

The concept includes a significant number of market rate apartments that could be designed as live-work space, commercial/office space that might be an executive suites offering, and service retail that would tap demand created by the burgeoning number of residents in downtown

- Residential 200 units @ 900 square feet = 180,000 square feet Apartments could be offered in a range of prices, configurations, styles, etc., to capture a wide range of market segments. For purposes of this preliminary analysis 100 one-bedroom, and 100 two-bedroom apartments have been conceptualized. Two bedroom units could be outfitted/marketed as live-work space.
- Commercial/Office 25,000 square feet Executive suites serving apartment residents may be a possibility. Professional and other office tenants as described in the Tract 1 project may also represent potential demand sources.
- Service/Retail 25,000 square feet Downtown-serving retail such as convenience, dry cleaning, postal service, travel, etc.

Tract 4. Dawson / McDowell split, prominent gateway location.

Southwest Residential "The Spa" Commercial Project 252,500 GSF

The concept is for high-end, for-sale residences, in an offering that could feature health and wellness facilities and spa themes as distinguishing features. The prominence of this site on the Raleigh skyline warrants development of a signature project. The "spa" concept could be expanded to include a racquet club/ pool facility, which could be accessed by convention delegates and other downtown lodgers, if it were operated as a stand-alone business. A small amount of specialty retail that also utilizes the health and wellness theme could also probably be supported.

- Residential For-Sale 200 units @ 1,000 square feet = 200,000 square feet Condos outfitted/marketed for successful young professionals, affluent empty nesters, and others seeking a high-quality, urban lifestyle. Differentiation in the market could be achieved through the health/wellness niche offering. This element could compliment other similar, yet different facilities in and around the downtown area. Short of a full-blown pool (roof-top?), lap pools, mineral spas, saunas, steam rooms, etc., may suffice.
- Health and Fitness facility 50,000 square feet Partially described above, the wellness angle could be accentuated through partnerships with University programs and other sports/fitness facilities in the area.
- Retail 2,500 square feet A small amount of specialty retail that offers goods and services associated with the health/wellness/fitness niche may be desirable.

III. Financial Feasibility Assessments: Methodology and Caveats

The following tables set forth different aspects of preliminary financial feasibility assessments for the four development concepts summarized in the previous section. Typically, there is a list of assumptions pertaining to the project (square footages, units, hard and soft costs, etc.), followed by a 10-year cash flow pro forma, and a capital cost/residual land value summary.

At this juncture, parking supply and associated costs, land costs and conveyance, carrying costs, funding and finance strategies, and other aspects of the overall development strategy have not been fully addressed. Assumptions are based on a combination of Hunter Interests' professional experience and opinion, industry standards of various types, comparative evaluations of other Raleigh projects, and other source material.

Generally speaking, it is Hunter Interests' professional opinion that the upper end of the lodging, residential, retail, and office markets remain underserved in downtown Raleigh, and thus we have portrayed concepts that seek to penetrate this strata of the overall market. Therefore, residential sales/rental rates, lease rates, etc., used in the financial assessments reflect this approach to the development strategy. Estimates for unit costs of construction and other expense items are in keeping with this approach. If future analysis warrants scaling back on price points, development costs could be trimmed to maintain feasibility thresholds.

It is important to note that these assessments are preliminary, and that estimates of net operating income, supportable debt and equity, capital costs, and residual land value will change as the conceptual programs are refined. *However, it is our professional opinion that these preliminary financial feasibility assessments demonstrate sufficient upside as to warrant further development of the concepts as presented.*

Table 1
Tract 1: Mixed Use Project Assumptions

Building Costs	
Square footage	100,000
Building and site improvements	$100
Soft costs	$45
Total per SF costs	$145
Total Costs	$14,500,000
Retail / Arts	
Square Feet	30,000
Rent Rate NNN	$25
Restaurant / Entertainment	
Square Feet	40,000
Rent Rate NNN	$25
Office / Commercial	
Square Feet	20,000
Rent Rate NNN	$20
Civic Space	
Square Feet	10,000
Rent Rate	$0

Source: Hunter Interests Inc.

Table 2
Tract 1: Restaurant / Entertainment Component

Net Operating Income	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Revenues:										
Gross Building Area, Restaurant/Entertainment	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Average Occupancy	60%	70%	80%	95%	95%	95%	95%	95%	95%	95%
Occupied Retail Space (RSF)	24,000	28,000	32,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Rental Rate NNN, w/2.5% Escalations	$25.00	$25.63	$26.27	$26.92	$27.60	$28.29	$28.99	$29.72	$30.46	$31.22
Annual Total Revenue	$600,000	$717,500	$840,500	$1,023,046	$1,048,622	$1,074,838	$1,101,709	$1,129,251	$1,157,483	$1,186,420
Expenses										
Operating Expenses per Square Foot	$5.00	$5.13	$5.25	$5.38	$5.52	$5.66	$5.80	$5.94	$6.09	$6.24
Operating Expenses	$80,000	$61,500	$42,025	$10,769	$11,038	$11,314	$11,597	$11,887	$12,184	$12,489
Net Operating Income										
Total Annual Revenues	$600,000	$717,500	$840,500	$1,023,046	$1,048,622	$1,074,838	$1,101,709	$1,129,251	$1,157,483	$1,186,420
Total Annual Expenses	$80,000	$61,500	$42,025	$10,769	$11,038	$11,314	$11,597	$11,887	$12,184	$12,489
Net Operating Income	$520,000	$656,000	$798,475	$1,012,277	$1,037,584	$1,063,524	$1,090,112	$1,117,365	$1,145,299	$1,173,931

Source: Hunter Interests Inc.

Table 3
Tract 1: Commercial / Office Component

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:										
Gross Building Area, Office,	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Net Rentable Area @ 90%	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Retail / Arts	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Net Rentable Area @ 90%	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Public Space	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Average Occupancy	60%	70%	80%	95%	95%	95%	95%	95%	95%	95%
Occupied Office Space (RSF)	10,800	12,600	14,400	17,100	17,100	17,100	17,100	17,100	17,100	17,100
Occupied Cultural Space (RSF)	16,200	18,900	21,600	25,650	25,650	25,650	25,650	25,650	25,650	25,650
Office Rental Rate NNN, 2.5% Esc.	$20.00	$20.50	$21.01	$21.54	$22.08	$22.63	$23.19	$23.77	$24.37	$24.98
Cultural Rental Rate NNN, 2.5% Esc.	$10.00	$10.25	$10.51	$10.77	$11.04	$11.31	$11.60	$11.89	$12.18	$12.49
Office Revenue	$216,000	$258,300	$302,580	$368,297	$377,504	$386,942	$396,615	$406,531	$416,694	$427,111
Cultural Space Revenue	$162,000	$193,725	$226,935	$276,222	$283,128	$290,206	$297,461	$304,898	$312,520	$320,333
Total Annual Revenue	$378,000	$452,025	$529,515	$644,519	$660,632	$677,148	$694,077	$711,428	$729,214	$747,444
Expenses										
Unoccupied Space	33,000	28,500	24,000	17,250	17,250	17,250	17,250	17,250	17,250	17,250
Operating Expenses per Square Foot	$5.00	$5.13	$5.25	$5.38	$5.52	$5.66	$5.80	$5.94	$6.09	$6.24
Replacement Reserve	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Operating Expenses	$56,000	$47,925	$39,418	$25,615	$26,005	$26,405	$26,816	$27,236	$27,667	$28,109
Net Operating Income										
Total Annual Revenues	$378,000	$452,025	$529,515	$644,519	$660,632	$677,148	$694,077	$711,428	$729,214	$747,444
Total Annual Expenses	$56,000	$47,925	$39,418	$25,615	$26,005	$26,405	$26,816	$27,236	$27,667	$28,109
Net Operating Income	$322,000	$404,100	$490,098	$618,904	$634,627	$650,742	$667,261	$684,192	$701,547	$719,336

Source: Hunter Interests Inc.

Table 4
Tract 1: Mixed Use Concept, Supportable Debt/Equity

Project Cash Flow		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
NOI Restaurant / Entertainment		$520,000	$656,000	$798,475	$1,012,277	$1,037,584	$1,063,524	$1,090,112	$1,117,365	$1,145,299	$1,173,931
NOI Office & Cultural		$322,000	$404,100	$490,098	$618,904	$634,627	$650,742	$667,261	$684,192	$701,547	$719,336
Total Net Operating Income		$842,000	$1,060,100	$1,288,573	$1,631,181	$1,672,211	$1,714,266	$1,757,373	$1,801,557	$1,846,846	$1,893,267
Annual Debt Service		$1,165,130	$1,165,130	$1,165,130	$1,165,130	$1,165,130	$1,165,130	$1,165,130	$1,165,130	$1,165,130	$1,165,130
Annual Cash Flow		-$323,130	-$105,030	$123,443	$466,052	$507,081	$549,137	$592,243	$636,428	$681,717	$728,138
Supportable Funds											
Supportable Equity:											
Required Developer Return		17%									
Supportable Equity		$1,114,227									
Supportable Debt:											
NOI YEAR 4		$1,631,181									
Debt Coverage Ratio		1.4									
Debt Service		$1,165,130									
Interest Rate	7%										
Loan Term	30										
Supportable Debt		$14,593,982									
Total Supportable Funds											
Minimum Equity[1]		$1,114,227	7%								
Supportable Debt[2]		$14,593,982	93%								
Total Supportable Funds		$15,708,208	100%								

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required.

[2] The financial model employed in this table uses conventional debt financing. The actual financing package would likely use a combination of short term construction loans, low-interest industrial or economic development loans, and debt that could be structured at more favorable terms within the 30-year span.

Source: Hunter Interests Inc.

Table 5
Tract 1: Mixed-Use Capital Costs

Building Hard Costs		**Supportable Funds**	
Gross Building Area	100,000	Minimum Equity	$1,114,227
Hard Cost Per Square Foot	$100	Conventional Debt	$14,593,982
Soft Cost Per Square Foot	$45	**Total Supportable Funds**	$15,708,208
Total Development Costs	$14,500,000	**Project Costs**	$14,500,000
		Residual Land Value	$1,208,208

Source: Hunter Interest Inc.

Table 6
Tract 2: Luxury Hotel/Condos Assumptions

Hotel	
Number of rooms	80
Building and site improvements	$200,000
Soft costs	$60,000
FF & E	$40,000
Pre-operating expenses	$10,000
Total per room costs	$310,000
Revenues	
Average daily room rate (stab.)	$185
Average occupancy (stab.)	70%
Food & beverage	52% of room rev.
Phone & other	10% of room rev.
Expenses	
Rooms	17% of room rev.
Food & Beverage	63% of f&b rev.
Telephone & Other	52% of t&o rev.
Undistributed expenses	18% of gross rev.
Replacement Reserve	2% of gross rev.
Leased Space	
Square footage	20,000
Building and site improvements	$100
Soft costs	$30
Total per SF costs	$130
Revenues	$25/SF NNN
Condominiums	
# of units	20
Building and site improvements	$300,000
Soft costs	$60,000
Total per unit costs	$360,000
Condos unit sales price	$500,000
Taxes	
Real Estate/Property Tax	.989/$100 A.V.
Personal Property Tax	.704/$100 A.V.

Source: Hunter Interests Inc.

Table 7
Tract 2: Luxury "Boutique" Hotel 10-Year Cash Flow Pro Forma, Conventional Financing

Net Operating Income	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Revenues:										
Number of Rooms	80	80	80	80	80	80	80	80	80	80
Average Occupancy	55%	60%	65%	70%	70%	70%	70%	70%	70%	70%
Annual Occupied Room Nights	16,060	17,520	18,980	20,440	20,440	20,440	20,440	20,440	20,440	20,440
Average Room Rate	$185	$185	$185	$195	$195	$195	$205	$205	$205	$215
Annual Room Revenue	$2,971,100	$3,241,200	$3,511,300	$3,985,800	$3,985,800	$3,985,800	$4,190,200	$4,190,200	$4,190,200	$4,394,600
Other Revenue:										
Food & Beverage	$1,544,972	$1,750,248	$1,896,102	$2,152,332	$2,152,332	$2,152,332	$2,262,708	$2,262,708	$2,262,708	$2,373,084
Telephone & Other	$297,110	$324,120	$351,130	$398,580	$398,580	$398,580	$419,020	$419,020	$419,020	$439,460
Total Gross Revenue	$4,813,182	$5,315,568	$5,758,532	$6,536,712	$6,536,712	$6,536,712	$6,871,928	$6,871,928	$6,871,928	$7,207,144
Annual Expenses										
Departmental Expenses:										
Rooms	$505,087	$551,004	$596,921	$677,586	$677,586	$677,586	$712,334	$712,334	$712,334	$747,082
Food & Beverage	$973,332	$1,102,656	$1,194,544	$1,355,969	$1,355,969	$1,355,969	$1,425,506	$1,425,506	$1,425,506	$1,495,043
Telephone & Other	$154,497	$168,542	$182,588	$207,262	$207,262	$207,262	$217,890	$217,890	$217,890	$228,519
Total Dept. Expenses	$1,632,917	$1,822,203	$1,974,053	$2,240,817	$2,240,817	$2,240,817	$2,355,730	$2,355,730	$2,355,730	$2,470,644
Undist. Expenses	$866,373	$956,802	$1,036,536	$1,176,608	$1,176,608	$1,176,608	$1,236,947	$1,236,947	$1,236,947	$1,297,286
Replacement Rsrv.	$96,264	$106,311	$115,171	$130,734	$130,734	$130,734	$137,439	$137,439	$137,439	$144,143
Real Estate/Property Tax	$236,152	$236,152	$236,152	$247,960	$247,960	$247,960	$260,358	$260,358	$260,358	$273,375
Total Expenses	$2,831,705	$3,121,468	$3,361,911	$3,796,119	$3,796,119	$3,796,119	$3,990,474	$3,990,474	$3,990,474	$4,185,448
Net Operating Income										
Total Annual Revenues	$4,813,182	$5,315,568	$5,758,532	$6,536,712	$6,536,712	$6,536,712	$6,871,928	$6,871,928	$6,871,928	$7,207,144
Total Annual Expenses	$2,831,705	$3,121,468	$3,361,911	$3,796,119	$3,796,119	$3,796,119	$3,990,474	$3,990,474	$3,990,474	$4,185,448
Net Operating Income	$1,981,477	$2,194,100	$2,396,621	$2,740,593	$2,740,593	$2,740,593	$2,881,454	$2,881,454	$2,881,454	$3,021,696

Source: Hunter Interests Inc.

Table 8
Tract 2: Leased Space Cash Flow Pro Forma

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:										
Net Rentable Area	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Average Occupancy	50%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Rental Rate NNN	$25.00	$25.75	$26.52	$27.32	$28.14	$28.98	$29.85	$30.75	$31.67	$32.62
Total Annual revenue	$125,000	$244,625	$251,964	$259,523	$267,308	$275,328	$283,587	$292,095	$300,858	$309,884
Expenses:										
Unoccupied Space	10,000	500	500	500	500	500	500	500	500	500
Expenses Per Foot	$5.50	$5.64	$5.78	$5.92	$6.07	$6.22	$6.38	$6.54	$6.70	$6.87
Total Annual Expenses	$55,000	$2,819	$2,889	$2,961	$3,035	$3,111	$3,189	$3,269	$3,351	$3,434
Net Operating Income										
Total Annual Revenues	$125,000	$244,625	$251,964	$259,523	$267,308	$275,328	$283,587	$292,095	$300,858	$309,884
Total Annual Expenses	$55,000	$2,819	$2,889	$2,961	$3,035	$3,111	$3,189	$3,269	$3,351	$3,434
Net Operating Income	$70,000	$241,806	$249,075	$256,561	$264,273	$272,216	$280,398	$288,826	$297,507	$306,449

Source: Hunter Interests Inc.

Table 9
Tract 2: Hotel/Condominium Financial Projections

Development Costs	Finance/ Sales Costs	Equity Developer's Equity @ 25%	Required Return on Equity @ 50%	Total Return Required Development & Finance Cost Plus Return on Equity	Sales Price per Unit	Total Sales Revenue	Residual Land Value
$7,200,000	$1,080,000	$1,800,000	$900,000	$9,180,000	$500,000	$10,000,000	$820,000

Source: Hunter Interests Inc.

Table 10
Tract 2: Supportable Debt and Equity, Conventional Financing

Project Cash Flow		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Hotel NOI		$1,981,477	$2,194,100	$2,396,621	$2,740,593	$2,740,593	$2,740,593	$2,881,454	$2,881,454	$2,881,454	$3,021,696
Leased Space NOI		$70,000	$241,806	$249,075	$256,561	$264,273	$272,216	$280,398	$288,826	$297,507	$306,449
Total Net Operating Income		$2,051,477	$2,435,906	$2,645,695	$2,997,154	$3,004,866	$3,012,809	$3,161,853	$3,170,281	$3,178,962	$3,328,145
Annual Debt Service		$2,140,825	$2,140,825	$2,140,825	$2,140,825	$2,140,825	$2,140,825	$2,140,825	$2,140,825	$2,140,825	$2,140,825
Annual Cash Flow		-$159,348	$53,275	$255,796	$599,769	$599,769	$599,769	$740,630	$740,630	$740,630	$880,871
Supportable Funds:											
Supportable Equity:											
Required Developer Return		17%									
Supportable Equity		$2,161,329									
Supportable Debt:											
NOI Year 4		$2,997,154									
Debt Coverage Ratio		1.4									
Debt Service		$2,140,825									
Interest Rate	7.5%										
Loan Term	30										
Supportable Debt		$25,514,638									
Total Supportable Funds											
Supportable Equity		$2,161,329	8%								
Supportable Debt		$25,514,638	92%								
Total Supportable Funds		$27,675,967	100%								

Source: Hunter Interests Inc.

Table 11 Tract 2: Project Capital Costs - Conventional Financing			
Hotel and Leased Space			
Development		**Supportable Funds**	
Cost per hotel room	$310,000	Developer Equity	$2,161,329
Total hotel cost	$24,800,000	Conventional Debt	$25,514,638
Cost per SF leased space	$130	Total Supportable Funds	$27,675,967
Total leased space cost	$2,600,000	Project Costs	$27,400,000
Total Development Costs	$27,400,000	**Residual Land Value**	$275,967
Condo/Hotel Residences			
Total Development Costs	$7,200,000	**Residual Land Value**	$820,000
Total Residual Land Value, Hotel, Leased Space, Condominiums			$1,095,967

Source: Hunter Interests Inc.

Table 12 Tract 3: Residential / Mixed-Use Assumptions	
Apartments	
Square footage	180,000
Building and site improvements	$90
Soft costs	$40
Total per SF costs	$130
Total Costs	$23,400,000
Office / Retail	
Square Footage	50,000
Building and site improvements	$100
Soft costs	$50
Total per SF costs	$150
Total Costs	$7,500,000
Rent Rate NNN	$25
Real Estate/Property Taxes (Apts.)	.989/$100 A.V.

Source: Hunter Interests Inc.

Table 13
Tract 3: Annual Rent Calculations

Unit Type	Square Feet	Monthly Rent	# of Units	Square Footage
1 BR	800	$1,000	100	80,000
2 BR	1,000	$1,300	100	100,000
Weighted Avg. Rent			$ 1,225	
Average Annual Rental Rate			$ 14,700	

Source: Hunter Interests Inc.

Table 14
Tract 3: Residnetial / Mixed-Use Concept Pro Forma

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Units	200	200	200	200	200	200	200	200	200	200
Rental Occupancy	60%	70%	85%	95%	95%	95%	95%	95%	95%	95%
Net Occupancy	120	140	170	190	190	190	190	190	190	190
Average Rental Rate, 2.5% esc.	$1,225	$1,256	$1,287	$1,319	$1,352	$1,386	$1,421	$1,456	$1,493	$1,530
Gross Rental Revenue	$1,764,000	$2,109,450	$2,625,512	$3,007,756	$3,082,949	$3,160,023	$3,239,024	$3,319,999	$3,402,999	$3,488,074
Other Receipts @ 4%	$70,560	$84,378	$105,020	$120,310	$123,318	$126,401	$129,561	$132,800	$136,120	$139,523
Total Gross Income	$1,834,560	$2,193,828	$2,730,532	$3,128,066	$3,206,267	$3,286,424	$3,368,585	$3,452,799	$3,539,119	$3,627,597
Expenses										
Residential Operations/Management	$366,912	$438,766	$546,106	$625,613	$641,253	$657,285	$673,717	$690,560	$707,824	$725,519
Real Estate / Property Tax	$231,426	$231,426	$231,426	$236,055	$236,055	$236,055	$240,776	$240,776	$240,776	$245,591
Replacement Reserve	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Annual Total Expenses	$608,338	$680,192	$787,532	$871,668	$887,308	$903,339	$924,493	$941,335	$958,599	$981,111
Net Operating Income										
Total Annual Revenues	$1,834,560	$2,193,828	$2,730,532	$3,128,066	$3,206,267	$3,286,424	$3,368,585	$3,452,799	$3,539,119	$3,627,597
Total Annual Expenses	$608,338	$680,192	$787,532	$871,668	$887,308	$903,339	$924,493	$941,335	$958,599	$981,111
Net Operating Income	$1,226,222	$1,513,636	$1,943,000	$2,256,398	$2,318,959	$2,383,085	$2,444,092	$2,511,464	$2,580,520	$2,646,487

Source: Hunter Interests Inc.

Table 15
Tract 3: Southeast Office/Retail Pro Forma

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Gross Building Area	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Building Efficiency Factor	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Net Rentable Area	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Average Occupancy	70%	80%	95%	95%	95%	95%	95%	95%	95%	95%
Occupied Space	31,500	36,000	42,750	42,750	42,750	42,750	42,750	42,750	42,750	42,750
Rental Rate (Triple Net)	$25.00	$25.75	$26.52	$27.32	$28.14	$28.98	$29.85	$30.75	$31.67	$32.62
Annual Total Revenue	$787,500	$927,000	$1,133,837	$1,167,852	$1,202,888	$1,238,974	$1,276,143	$1,314,428	$1,353,861	$1,394,476
Expenses										
Unoccupied Space (RSF)	18,500	14,000	7,250	7,250	7,250	7,250	7,250	7,250	7,250	7,250
Operating Expenses/RSF	$5.00	$5.13	$5.25	$5.38	$5.52	$5.66	$5.80	$5.94	$6.09	$6.24
Replacement Reserve	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Annual Total Expenses	$95,500	$74,750	$41,085	$42,037	$43,013	$44,014	$45,039	$46,090	$47,167	$48,271
Net Operating Income										
Total Annual Revenues	$787,500	$927,000	$1,133,837	$1,167,852	$1,202,888	$1,238,974	$1,276,143	$1,314,428	$1,353,861	$1,394,476
Total Annual Expenses	$95,500	$74,750	$41,085	$42,037	$43,013	$44,014	$45,039	$46,090	$47,167	$48,271
Net Operating Income	$692,000	$852,250	$1,092,752	$1,125,815	$1,159,874	$1,194,961	$1,231,105	$1,268,338	$1,306,693	$1,346,205

Note: The real estate property tax calculation assumes a pass through to tenants on leased space.

Table 16
Tract 3: Southeast Project Supportable Debt/Equity

Project Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Apartments NOI	$1,226,222	$1,513,636	$1,943,000	$2,256,398	$2,318,959	$2,383,085	$2,444,092	$2,511,464	$2,580,520	$2,646,487
Office NOI	$692,000	$852,250	$1,092,752	$1,125,815	$1,159,874	$1,194,961	$1,231,105	$1,268,338	$1,306,693	$1,346,205
Total Net Operating Income	$1,918,222	$2,365,886	$3,035,752	$3,382,213	$3,478,834	$3,578,045	$3,675,197	$3,779,802	$3,887,213	$3,992,692
Annual Debt Service	$2,415,866	$2,415,866	$2,415,866	$2,415,866	$2,415,866	$2,415,866	$2,415,866	$2,415,866	$2,415,866	$2,415,866
Annual Cash Flow	-$497,644	-$49,980	$619,885	$966,347	$1,062,967	$1,162,179	$1,259,330	$1,363,935	$1,471,347	$1,576,825

Supportable Funds			
Supportable Equity:			
Required Developer Return		17%	
Supportable Equity		$2,872,972	
Supportable Debt:			
NOI YEAR 4		$3,382,213	
Debt Coverage Ratio		1.4	
Debt Service		$2,415,866	
Interest Rate	7%		
Loan Term	30		
Supportable Debt		$30,260,249	
Total Supportable Funds			
Minimum Equity[1]		$2,872,972	9%
Supportable Debt[2]		$30,260,249	91%
Total Supportable Funds		$33,133,221	100%

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required.

Source: Hunter Interests Inc.

Table 17
Tract 3: Residential / Mixed-Used Capital Costs

Building Hard Costs		Supportable Funds	
Gross Building Area	230,000	Minimum Equity	$2,872,972
Apartment Costs	$23,400,000	Conventional Debt	$30,260,249
Office Costs	$7,500,000	**Total Supportable Funds**	$33,133,221
Total Development Costs	$30,900,000	**Project Costs**	$30,900,000
		Residual Land Value	$2,233,221

Source: Hunter Interest Inc.

Table 18
Tract 4: Residential / Spa Assumptions

Condominiums	
Units	200
Building and site improvements	$140,000
Soft costs	$60,000
Total per unit costs	$200,000
Condos unit sales price	$375,000
Taxes	
Real Estate/Property Tax	.989/$100 A.V.
Personal Property Tax	.704/$100 A.V.

Source: Hunter Interests Inc.

Table 19
Tract 4: Health Spa Leased Space Cash Flow Pro Forma

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:										
Net Rentable Area	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Average Occupancy	50%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Rental Rate NNN	$18.00	$18.54	$19.10	$19.67	$20.26	$20.87	$21.49	$22.14	$22.80	$23.49
Total Annual revenue	$450,000	$880,650	$907,070	$934,282	$962,310	$991,179	$1,020,915	$1,051,542	$1,083,088	$1,115,581
Expenses:										
Unoccupied Space	10,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Expenses Per Foot	$5.50	$5.64	$5.78	$5.92	$6.07	$6.22	$6.38	$6.54	$6.70	$6.87
Total Annual Expenses	$55,000	$14,094	$14,446	$14,807	$15,177	$15,557	$15,946	$16,344	$16,753	$17,172
Net Operating Income										
Total Annual Revenues	$450,000	$880,650	$907,070	$934,282	$962,310	$991,179	$1,020,915	$1,051,542	$1,083,088	$1,115,581
Total Annual Expenses	$55,000	$14,094	$14,446	$14,807	$15,177	$15,557	$15,946	$16,344	$16,753	$17,172
Net Operating Income	$395,000	$866,556	$892,623	$919,474	$947,133	$975,622	$1,004,969	$1,035,198	$1,066,335	$1,098,409

Source: Hunter Interests Inc.

Table 20
Tract 4: Condominium Financial Projections

Development Costs	Finance/ Sales Costs	Equity Developer's Equity @ 25%	Required Return on Equity @ 50%	Total Return Required Development & Finance Cost Plus Return on Equity	Sales Price per Unit	Total Sales Revenue	Residual Land Value
$50,000,000	$7,500,000	$12,500,000	$6,250,000	$63,750,000	$375,000	$75,000,000	$11,250,000

Source: Hunter Interests Inc.

IV. Preliminary "Top Down" Market Scan

A. Introduction

This market scan analyzes Raleigh's current demographic and economic trends, and its retail, office, lodging, and residential markets. This section provides information that was used as a guide in conducting the financial feasibility assessments summarized in Section III, and will be expanded as the "bottom up" portion of the work assists in efforts to develop six parcels of downtown real estate near the planned convention center and headquarters hotel.

New downtown development in Raleigh will occur in the context of the 2003 *Livable Streets Plan*. This revitalization effort involved a partnership of over 400 stakeholders and culminated in a 40-page document, approximately 130 Actions and Strategies assembled into 12 categories, and an initial five actions called "Five in Five." The five goals to be accomplished between 2003 and 2008 are:

1. Reinvigorate Fayetteville Street.
2. Improve the pedestrian environment in downtown.
3. Develop a new convention center.
4. Streamline development regulations.
5. Establish a Downtown Development Corporation.

The *Livable Streets Plan*'s "Five in Five" has created a favorable climate for pursuing downtown development and revitalization efforts.

B. Demographic and Economic Overview

This section identifies demographic and economic characteristics to illustrate trends in population growth and supply and demand within sectors of the Raleigh real estate market. The analysis uses several levels of data including Raleigh City, Wake County, the Research Triangle (comprised of Raleigh, along with areas of Wake, Durham, and Orange counties), the Raleigh-Durham Metropolitan Statistical Area (MSA), the State of North Carolina, and the United States. A comparison of these areas over time will help illustrate demographic and economic conditions that can affect future development.

The Raleigh-Durham-Chapel Hill MSA has grown for many reasons such as the high quality of life, business environment, highly skilled and educated workforce, and adequate transportation, electricity, water, and wastewater infrastructure to support and encourage economic growth.

According to the Raleigh-Durham-Chapel Hill MSA *Regional Data Book* produced by the Wake County Economic Development Program of the Greater Raleigh Chamber of Commerce, the Raleigh-Durham area does not have a dominant central city like many other metro areas. Instead, the region is a "community of communities," with four mid-sized cities, 29 smaller cities and towns, and numerous rural communities.

According to the Wake County Economic Development Program, population growth in the Raleigh-Durham-Chapel Hill MSA has outpaced growth in every other North Carolina MSA in the last decade. Table 21 shows that the population of Raleigh increased 33% between 1990 and 2000, while the population of the state only increased 21%. This indicates that of the people moving to and born in North Carolina, more of them are in Raleigh than in other cities. Wake County and the Raleigh-Durham-Chapel Hill MSA grew 48% and 62%, respectively. This quick growth contrasted with the much lower 13% population growth between 1990 and 2000 in the United States as a whole suggests that Raleigh's growth is exceptional and that the area is an attractive place to live.

Table 21 also estimates future population growth in Raleigh based on Census 2000 data. It is estimated that the city's population will continue to grow at a slightly faster rate than it did between 1990 and 2000 and will reach an estimated 359,491 people by 2009.

Table 21
Population Change and Growth (1990 – 2000)

	1990	2000	% change
Raleigh City	207,951	276,093	33%
Wake County	423,380	627,846	48%
Raleigh-Durham MSA	735,480	1,187,941	62%
North Carolina	6,628,637	8,049,313	21%
U.S.	248,709,873	281,421,906	13%
2009 Projection (Raleigh)		359,491	
2004 Estimate (Raleigh)		313,458	
Growth 2004-2009		14.69%	
Growth 2000-2004		13.53%	
Growth 1990-2000		21.71%	

Source: Claritas; U.S. Census; Hunter Interests Inc.

The City of Raleigh is divided into 10 planning districts that include the city limits and its extra-territorial jurisdiction (ETJ), the area within which Raleigh will grow. The City's planning department projects that Raleigh's population will surpass 541,000 by the year 2025. Raleigh and the Raleigh Planning Jurisdiction's (RPJ) share of Wake County's population is decreasing as other Wake County municipalities experience significant population growth. This trend is expected to continue through the year 2025.

Table 22 presents median household income and income distribution for Raleigh City, Wake County, North Carolina, and the United States. Raleigh and Wake County both have higher median household incomes than North Carolina and the United States. Income distributions reflect this fact as well. Whereas North Carolina and the United States had only 18% and 23%, respectively, of households earning more than $75,000 per year, Raleigh and Wake County have as much as 26% and 34%, respectively, of households earning this much in 1999. Household incomes for Raleigh are quite high as well. Table 22 shows that the estimated average household income in Raleigh in 2004 is $67,325, the estimated median household income was $51,220, and the estimated per capita income was $27,833.

Table 22
Median Household Income (1999)

Raleigh City	$46,612
Wake County	$54,988
North Carolina	$39,184
United States	$41,994
2004 Est. Average Household Income in Raleigh	$67,325
2004 Est. Median Household Income in Raleigh	$51,220
2004 Est. Per Capita Income in Raleigh	$27,833

Income Distribution (1999)

	Raleigh	Wake Co.	NC	US
Households	100%	100%	100%	100%
Less than $ 35,000	36%	29%	45%	41%
Between $35,000 and $75,000	37%	37%	37%	36%
Greater than $75,000	26%	34%	18%	23%

Source: Claritas; 2000 U.S. Census; Hunter Interests Inc.

Raleigh is North Carolina's state capitol, and the government employs a significant amount of the **workforce**. Nearly 11% of workers in Raleigh are state government employees. Table 23 illustrates employment by occupation for Raleigh and North Carolina. Over half of Raleigh's workforce is in professional, sales, and/or office occupations.

Table 23
Employment by Occupation

	NC	Raleigh
2004 Est. Civ Employed Pop 16+ by Occupation		
Management, Business, and Financial Operations	16.25%	17.17%
Professional and Related Occupations	28.22%	28.03%
Service	11.66%	12.94%
Sales and Office	24.83%	26.95%
Farming, Fishing, and Forestry	0.33%	0.20%
Construction, Extraction and Maintenance	9.01%	7.10%
Production, Transportation and Material Moving	9.71%	7.62%

Source: Claritas; Hunter Interests Inc.

The 10 largest employers in Wake County are listed in Table 24. Of note also is Progress Energy, a Fortune 500 company that sells electricity, which has recently moved to the area. This company is headquartered in Raleigh near Fayetteville Street Mall in the heart of downtown.

The Employment Security Commission of North Carolina reported that the unemployment rate was between 6% and 7%t in 2003 2004. As of March 2004, the state's unemployment rate was 5.2%. As of May 2004, Wake County's unemployment rate was 3.5%.

Table 24
Major Employers in Wake County, Third Quarter 2003

Company	Product Description
Powersolve Inc	Professional and Business Services
SAS Institute Inc	Information
Rex Healthcare	Education and Health Services
WAL-MART Associates Inc	Trade, Transportation, and Utilities
International Business Machines	Mfg., Trade, Transportaion, Utilities
Food Lion LLC	Trade, Transportation, and Utilities
Carolina Power & Light Co.	Professional and Business Services
O Charleys Inc	Leisure and Hospitality
Worldcom Payroll Services LLC	Information
Maxim Healthcare Services Inc	Professional and Business Services

Source: State of North Carolina; Hunter Interests Inc.

C. Real Estate Markets

The number of residential building permits issued in Raleigh in June 1999 and June 2000 declined. This decline could be attributed to a general slowdown in economic activity, especially a slowdown in the technology sector, which is what the area is known for. However, annual data from 2001 and 2002 on residential building permits indicate that the numbers have stabilized. Furthermore, residential building permits increased in 2002 to 4,236, up slightly from 4,216 in 2001. See Table 25. This is the largest number of residential permits ever issued in one year in Raleigh, according to the City of Raleigh Planning, Inspections, and Commerce Departments. The majority of dwelling units are still single-family homes, though this may change if the City's *Livable Streets Plan* encourages mixed use and residential living in downtown as part of its revitalization strategy.

Table 25
Residential Permits Issued 2001-2002 in Raleigh

	2001	**2002**	
Single family	2,698	2,901	
Townhouse	1,245	1,188	
2 Family	9	102	
3 & 4 Family	3	21	
Condominium	44	70	
Apartment	131	24	
Total	**4,130**	**4,306**	
Non-Residential Building Activity in Raleigh in 2002			
	No. of Permits	**Square Feet**	**Value**
Office	32	578,422	$38,915,737
Industrial	24	303,318	$9,864,205
Institutional	34	300,455	$27,491,674
Commercial	40	457,520	$24,963,700
Other*	32	177,969	$6,027,847
Total	**162**	**1,817,684**	**$107,263,163**

* Parking garages, cell towers, etc.

Source: City of Raleigh Planning and Inspections Depts.; Hunter Interests Inc.

According to *Expansion Management* magazine, the Raleigh-Durham area ranked 10th in the top 40 real estate markets nationwide. *EM* found that the area had the highest vacancy rate for warehouse and industrial spaces. According to RS Means, the area ranked fourth for lowest construction costs.

The number, square footage, and dollar value of new non-residential building permits issued decreased in the past year, according to the City of Raleigh Planning and Inspections Departments (Table 25). The office sector showed the largest values in square footage and dollar amount. The commercial sector was the second largest in square footage, while the institutional sector was second in dollar value.

Construction costs have stayed stable in the last decade, varying from a low of 76.5 in 2000 to a high of 79.4 in 1996. See Table 26.

Table 26
Raleigh-Durham Construction Cost Index

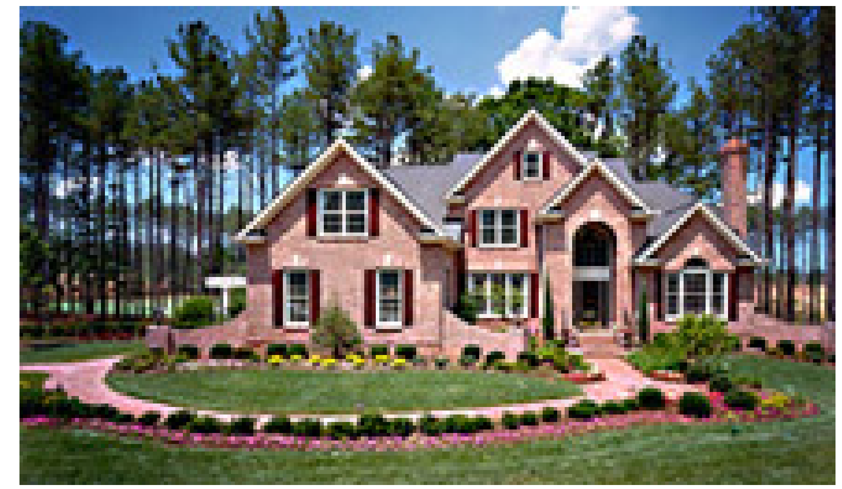
1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
78.9	78.3	79.1	78.4	79	79.4	78.8	78.2	77.3	76.5

Source: Hunter Interests Inc.

Retail/Entertainment Market

Raleigh's *Livable Streets Plan* is an effort to revitalize the downtown, which is in competition with several large retail malls and a new Wal-Mart SuperCenter. The Raleigh-Durham area is served by 12 retail centers of over 350,000 square feet each, and more than 200 smaller centers. Several of these centers are mixed use developments that contain retail, office, and residential development. For example:

Brier Creek includes a mall, cinema, grocery store, apartments and townhouses, country club, future offices, and the as yet undeveloped Brier Creek Village plan including a Wake County school site, community center, greenway system, parks, and regional transit corridor. The images are of the golf course and a home in the area.



Crabtree Valley Mall is north of Raleigh on Glenwood Avenue (Hwy. 70) and is a major retail center with shopping mall, strip shops, hotels, and parking decks. There is a Marriott nearby, and may be the home of a future Westin as well.

The Streets at South Point and Main Street is located in the heart of the Triangle and includes a cinema, shops, and a five-department store super-regional center featuring an upscale collection of retailers. The Streets combines indoor shopping with an open-air lifestyle center.

Triangle Town Centre opened in August 2002 on Raleigh's prestigious and growing north side. It is part indoor shopping mall and part outdoor shops and restaurants. Other large retail areas include Cameron Village, North Hills Mall and Plaza, and Pleasant Valley Promenade.

Raleigh retail sales have steadily increased in the past decade.

Table 27 Percent Annual Increase in Raleigh Retail Sales		
1992-1993	$4.05 billion	11.28%
1993-1994	$4.39 billion	8.47%
1994-1995	$5.01 billion	14.19%
1995-1996	$5.49 billion	9.44%
1996-1997	$6.11 billion	11.41%
1997-1998	$6.43 billion	5.20%
1998-1999	$6.91 billion	7.39%
1999-2000	$7.02 billion	1.63%
2000-2001	$7.52 billion	7.09%
Gross Retail Sales		
	2001-2002	**5 Yr. Avg.**
Raleigh	$7.00 billion	$ 6.8 billion
Wake County	$12.01 billion	$11.1 billion

Source: NC Dept. of Revenue; Hunter Interests Inc.

Raleigh accounts for 60% of Wake County sales and more than 20% of total effective buying income (EBI) in the Raleigh-Durham-Chapel Hill area. Wake County's median household income is higher than any of the other counties in the area and it has the highest buying power index, followed by Durham, and then Orange and Johnston counties at a near tie. The total EBI for Wake County in 2003 was over $15 billion. See Table 28.

Table 28
Effective Buying Income (EBI)

			% of Hslds by EBI Group			
Raleigh-Durham	**Total EBI ($000)**	**Median Hsehld. EBI**	**$20,000-$34,999**	**$35,000-$49,999**	**$50,000 & Over**	**Buying Power Index**
Chapel Hill	**26,220,555**	**43,648**	**21.2**	**19.7**	**41.9**	**0.4864**
Chatham	1,054,308	39,257	22.8	20.3	36.5	0.0163
Durham	4,504,418	39,070	23.1	19.5	36.7	0.0856
• Durham	3,644,708	37,408	23.9	19.4	34.3	0.096
Franklin	791,133	35,742	24.8	22.3	29	0.0131
Johnston	2,182,773	37,225	23.5	21.4	32	0.0402
Orange	2,519,138	37,766	22.4	17.4	36.6	0.0427
• Chapel Hill	968,970	34,943	19.4	14.5	35.5	0.0235
Wake	15,168,785	48,679	19.6	19.3	48.3	0.2885
Cary	2,872,438	63,890	12.5	15.6	66	0.0673
• Raleigh	5,986,475	41,283	23.6	20.5	39.1	0.1683
Total Metro	**105,321,465**	**37,860**	**24.5**	**20.8**	**34**	**1.9851**
Total State	**144,822,575**	**35,537**	**25.5**	**20.6**	**30.3**	**2.7536**

Source: *Sales & Marketing Management* 2003 Survey of Buying Power; Hunter Interests Inc.

Total retail sales in the Raleigh-Durham-Chapel Hill Metro Area in 2003 were more than $19 billion, and total retail sales statewide were nearly $102 billion. The Raleigh area accounts for 19% of North Carolina's retail sales. Motor vehicle and parts sales accounted for the largest amount of retail sales. This is not surprising as many people in the area rely on automobiles, an expensive retail item, for daily transportation. Food and beverage stores and food and drinking establishments together accounted for nearly $5 billion, or about 25% of the Raleigh-Durham-Chapel Hill area's retail sales in 2003. Raleigh had by far the most retail sales of all the metro counties, nearly doubling that of the next highest county, Durham. See Table 29. It should be noted that these data could be attributed to a growing population, and/or larger numbers of people or shopping establishments in Wake County than elsewhere.

Table 29
Retail Sales By Store Group ($000)

	Total Retail Sales	Food and Beverage Stores	Food Serv. & Drinking Estab.	General Merc.	Furniture and Home Furnish. and Electron. & Appliances	Motor Veh. & Parts Dealers
Raleigh-Durham-Chapel Hill	**19,053,969**	**2,441,647**	**2,416,097**	**2,194,768**	**1,176,681**	**4,332,749**
Chatham	348,370	87,204	26,416	22,437	32,754	58,192
Durham	3,399,220	614,160	402,881	495,486	262,436	558,218
• Durham	3,060,599	574,783	369,679	461,653	177,584	513,036
Franklin	270,808	44,526	22,496	25,265	1,182	65,842
Johnston	1,295,896	144,457	112,124	152,145	44,008	271,765
Orange	1,319,413	273,993	133,162	60,259	49,165	186,246
• Chapel Hill	617,978	163,806	89,981	13,185	24,282	133,209
Wake	12,420,262	1,277,307	1,719,018	1,439,176	787,136	3,192,486
Cary	2,033,885	181,264	328,857	397,967	187,450	274,428
• Raleigh	6,389,843	667,212	955,259	662,521	419,689	1,683,256
Total Metro Counties	**75,286,182**	**8,677,233**	**7,873,701**	**9,397,805**	**4,769,065**	**18,622,337**
Total State	**101,777,883**	**12,447,083**	**10,065,885**	**12,527,129**	**5,531,822**	**25,456,096**

Source: Sales & Marketing Management 2003 survey of Buying Power

One million square feet of retail space was built in Raleigh in 2003. An even bigger construction year is expected in 2004 for shopping centers: a projected three million square feet of retail will be added, but more than two-thirds of this space is pre-leased. This new construction is focused primarily in the Durham/Research Triangle Park (RTP) and North Raleigh submarkets with each planning to add over one million square feet.

Table 30
Shopping Center Space

	2002-2003 Growth	**2003 Supply**	**2003 Vacant**	**2002-2003 Absorbed**	**2003 Vacant**	**2002-2003 Absorbed**	**Under Const.**
North Raleigh	-3%	8,022,000	374,000	242,000	5%	3%	15%
West Raleigh	7%	5,062,000	262,000	268,000	5%	5%	7%
Cary	1%	6,390,000	142,000	111,000	2%	2%	2%
East Raleigh	10%	1,931,000	273,000	168,000	14%	9%	12%
S. Raleigh - Garner	17%	3,828,000	172,000	458,000	4%	12%	2%
Durham - RTP	4%	9,441,000	595,000	162,000	6%	2%	11%
Area-Wide Totals	**3%**	**34,674,000**	**1,818,000**	**1,409,000**	**5%**	**4%**	**9%**

Source: *Sales & Marketing Management* 2003 Survey of Buying Power; Hunter Interests Inc.

Office Market Discussion

The Society of Industrial and Office Realtors determined that the South Atlantic region, which includes Delaware, DC, Florida, Georgia, Maryland, North Carolina, South Carolina, and Virginia, had a stable office real estate market in April 2004.

The Raleigh-Durham office market is divided into six areas (Table 31). The Triangle office market is about 36.1 million square feet of single- and multi-tenant buildings. Fifty-seven percent of the Raleigh-Durham office market is categorized as Class A; 32% is considered Class B, and the remainder is Class C space, according to *Triangle Business Journal.* Suburban Raleigh and the Research Triangle area have the most office space, whereas downtown still has many government buildings.

Table 31
Raleigh-Durham Office Market (square footage)

Suburban Raleigh (including Cary)	53.60%
Downtown Raleigh	8.80%
Suburban Durham	7.20%
Downtown Durham	4.40%
RTP/I-40	23.10%
Chapel Hill	2.80%

Source: Hunter Interests Inc.

Almost one million square feet of office space is under construction for 2004 in the Research Triangle area, with about half of that pre-leased.

Of the overall Triangle office market, the RTP/I 40 area represents 43% of the total inventory. Office development in other Wake County areas constitutes 24% of the market, and Cary represents only 3% of the total. The remaining 30% is located in Orange and Durham Counties. Office development in downtown Raleigh is included in the Wake County area, and constitutes approximately 9.0% of the total Triangle office space development.

Cary and RTP/I 40 are the largest as well as the softest sub-markets in the Triangle area. Vacancy rates are 25.26% and 25.46%, respectively. Cary experienced negative net absorption in both the fourth quarter and the year at -27,174 square feet and -117,680 square feet respectively. RTP/I 40 also experienced negative net absorption in the fourth quarter and the year at -47,731 square feet and -595,488 square feet, respectively. However, it is predicted that these sub-markets will “rebound significantly” in 2004. See Table 32.

Table 32
Fourth Quarter 2003 Office Market Overview

	RTP/I-40	Cary	All Durham	Other Triangle	Total
Total Inventory	8,369,969	4,501,625	4,037,638	19,253,315	36,162,547
Direct Vacant SF	2,130,593	1,137,117	561,794	2,581,090	6,410,594
Vacancy Rate	25.46%	25.26%	13.91%	13.41%	17.73%
New Product (CY 2003)	0	97,880	0	157,012	254,892
Net Absorption (CY 2003)	-595,488	-117,680	71,353	361,384	-280,431
SF Under Construction	0	0	1,025,910	664,559	1,690,469
Average Class A Rental	$18.25	$17.95	$17.50	$18.00	-

Source: Hunter Interests Inc.

Fifteen percent, or 366,000 square feet of Class A office space was under construction in the downtown in 2003 2004. However, all 15% of this space was pre-leased. There was no office space under construction in suburban Raleigh. Slightly more suburban than downtown Class A office space was vacant in January 2004, although absorption was -3% in downtown, while it was 2% in suburban Raleigh. See Tables 33 and 34.

Vacancy rates remained low, between approximately 6.0% and 7.0%, through 2000, with a sharp increase reported in 2001 attributable to the softening U.S. economy and the fallout of the technology and telecom industries. Downtown Raleigh has approximately 500,000 square feet of vacant office space. Market-wide office vacancy at the end of the fourth quarter of 2003 was reported to be 17.73%, down slightly from 17.75% in the previous quarter and up slightly from 17.46% in the fourth quarter of 2002. The overall office vacancy rate remained at 18% between 2003 and 2004. This sector continues to see 10-year highs in vacancy rates, but these are expected to decline slightly due to limited new construction and some minimal increase in activity. A weak economy, limited company growth, and a lingering supply of sublease space contributed to high vacancy levels.

The office sector's absorption rose 2% for 2003, or 834,000 square feet, but this still represents minimal absorption given the entire market supply of office space at 51 million square feet. Overall net absorption for the office sector in the fourth quarter was + 82,037 square feet, a notable increase from the -211,209 square feet at the end of the fourth quarter of 2002. For the year, overall net absorption for the office sector in the Triangle finished at -280,431 square feet. While still negative, this figure compares significantly better than the 2002 year-end figure of -813,074 square feet. In addition, it should be noted that these figures do not include one million square feet of absorption in the sublease market, underscoring further the improving marketplace.

Table 33
Office Space (000)

	Jan 2002 Supply	Jan 2003 Supply	Jan 2004 Supply	Jan 2004 Total Vacant	Jan 2004 Sublease	2003-2004 Absorption	2003-2004 Under Constr.	2003-2004 Preleased
Downtown Class A	2,455	2,455	2,455	341	100	-77	366	366
Downtown Class B	1,588	1,646	1,680	155	34	-15	0	0
Total Downtown	**4,043**	**4,101**	**4,135**	**496**	**134**	**-92**	**366**	**366**
Suburban Raleigh								
Class A	11,519	11,876	12,007	2,071	696	252	0	0
Class B	8,220	8,429	8,664	1,022	105	257	134	78
Total Suburban Raleigh	**19,709**	**20,305**	**20,671**	**3,093**	**801**	**509**	**134**	**78**
Cary	5,476	5,608	5,706	1,417	320	-132	0	0
Res. Triangle Area	10,818	10,978	11,336	3,121	828	30	0	0
Suburban Durham	5,612	5,725	6,081	464	12	451	266	68
Downtown Durham	2,287	2,287	2,787	391	61	68	210	0
Areawide Totals	**47,945**	**49,004**	**50,716**	**8,982**	**2,156,000**	**834,000**	**976**	**512**

Source: Hunter Interests Inc.

Table 34
Office Space

	2001-2002 Growth	2002-2003 Growth	2003-2004 Growth	Jan 2004 Total Vacant	Jan 2004 Sublease	2003-2004 Absorption	2003-2004 Under Construct.	2003-2004 Preleased
Downtown Class A	-2%	0%	0%	14%	4%	-3%	15%	15%
Downtown Class B	-1%	4%	2%	9%	2%	-1%	0%	0%
Total Downtown	**-1%**	**1%**	**1%**	**12%**	**3%**	**-2%**	**9%**	**9%**
Suburban Raleigh								
Class A	6%	3%	1%	17%	6%	2%	0%	0%
Class B	4%	2%	3%	12%	1%	3%	2%	1%
Total Suburban Raleigh	**5%**	**3%**	**2%**	**15%**	**4%**	**2%**	**1%**	**0%**
Cary	9%	2%	2%	25%	6%	-2%	0%	0%
Res. Triangle Area	9%	1%	3%	28%	7%	0%	0%	0%
Suburban Durham	15%	2%	6%	8%	0%	7%	4%	1%
Downtown Durham	0%	0%	18%	14%	2%	17%	8%	0%
Areawide Totals	**7%**	**2%**	**3%**	**18%**	**4%**	**2%**	**2%**	**1%**

Source: Hunter Interests Inc.

Average **leases** for Class A office buildings in Wake County are around the same range in both the central business district (CBD) and suburban office parks, and can range from $15 to $24.50. Class B space ranges from $10 to $20. See Table 35. Free rent is prominent, and it continues to be a tenant's market   but that window is closing.

Table 35
Average Leases for Office Buildings in Wake County

	CBD	Suburban Office Parks	Range
Class A	$16.50 - $20	$17 - $20	$15 - $24.50
Class B	$12 - $10	$14 - $18	$10 - $20

Source: Hunter Interests Inc.

The Class A office sector finished the year with +480,113 square feet of net absorption, compared with -561,610 for the year ending 2002 indicating a strong recovery. Three leases were signed in the fourth quarter, comprising much of this net absorption:

R.H. Donnelly: 73,000 rsf of Class A space at Weston One

AIG: 24,000 rsf of Class A space at Weston One

Qualcomm: 30,000 rsf of Class A space at Centre Green

The Class B segment of the office market was notably less and caused market-wide 2004 office statistics to seem less positive than they were. Class B net absorption was -529,151 square feet, which is attributed to “trading up” of Class B tenants to Class A buildings, as rates and concessions make such relocations affordable.

Raleigh and Durham have recently seen a resurgence in their central business districts (CBDs). The American Tobacco Campus is an ongoing revitalization project of Durham’s American Tobacco District, the city’s most prominent downtown industrial complex. Over one million square feet of mixed use space incorporates restaurants, residences, and Class A offices, and a public green space all situated beside the Durham Bulls Triple A baseball park. The high-density development is expected to bring more than 3,000 jobs to the area, and is currently 75% leased with companies moving in this month (June 2004). The 550,000 square foot office/R&D project has already received 70% pre-construction commitments from GlaxoSmithKline, McKinney & Silver, Duke Medical, and Compuware.

Adaptive Reuse and New Development Create Exciting New Projects

In Raleigh, Progress Energy, a major employer, is constructing a ±$100 million office tower and ±$14 million parking deck as part of a 366,000 square foot office and retail project, and is working with City officials to attract other corporate users, most notably RBC Centura. Office development in downtown Raleigh is expected to increase upon completion of the new Progress Energy tower.

New tenants in downtown will help the area become attractive to other area firms, which will increase the demand for other types of development in downtown such as residential and retail. Raleigh’s downtown revitalization will bring a critical mass of people back to the CBD, increasing all types of development. Downtown firms will attract commercial visitors who stay in downtown hotels.

Developers might consider new office construction in terms of flex space, as the “creative class” moves into downtown and demands non-traditional spaces to work.

Hotel Market Discussion

Hotel **construction** was uneventful in 2003, as only one new project was added in Wake County and none in Durham County. Similarly, 2004 has seen the addition of only one new project in Wake County and two in Durham County. This marks a drastic drop from the five years before when new rooms were added in the three and four digits. See Table 36. Data reveals that the average daily rate dropped slightly in 2003, further exacerbating an already struggling hospitality industry, but presumes that as the economy improves, visitor expenditures will rise in 2004.

Table 36
Hotel Construction Wake County (12 Cities)

	New Projects	New Rooms
1998	16	2414
1999	9	896
2000	3	280
2001	4	366
2002	4	349
2003	1	75
2004 est.	1	74

Year End 2003 Total Rooms: 13,401

Source: Greater Raleigh CVB; Hunter Interests Inc.

Raleigh's hotel inventory of rooms grew steadily between 1996 and 2000 when a total of 4,264 rooms were added to Greater Raleigh's hotel inventory. Raleigh continues to have a higher average occupancy rate than the national average and room nights continue to grow yearly (3.1 million in 2000 compared to 2.4 million in 1998).

North Carolina's tourism industry generates a significant amount of revenue for the state. According to the Greater Raleigh Convention and Visitors Bureau, tourism generated $55.2 million in 1996 and $100.5 million in 2000 in local and state taxes. Wake County's Hotel Occupancy Tax and Food/Beverage Tax revenue has increased steadily since 1996 as well (Table 37). In addition, tourism generated an estimated 21,710 direct and indirect jobs in North Carolina in 2000.

According to the Greater Raleigh Convention and Visitors Bureau, annual visitor expenditures for Wake County and North Carolina, steadily increased between 1993 and 2000, with declines noted in 2001. Visitors spent approximately $1.09 billion in 1999, $1.17 billion in Wake County in 2000, and an estimated $1.134 billion in Wake County in 2001 (Table 37). The Greater Raleigh Convention and Visitors Bureau reports that the average overnight meeting attendee spends more than $195 per day in Wake County; the average overnight leisure visitor staying in a hotel spends more than $110 per day.

Table 37
1996-2000

Total Rooms and Percent Occupancy – Raleigh	1996	1997	1998	1999	2000
% Occupancy	75.90%	70.80%	66.90%	66.40%	66.10%
Total # of Rooms	8,564	9,389	11,430	12,699	12,848
Hotel Occupancy Tax and Food/Beverage Tax Collections – Wake County (in millions)					
Food & Bev. Tax	6.8	7.8	8.2	9	9.5
Hotel Occupancy Tax	7.7	8.5	9.4	10.3	11.2
Visitor Expenditures - Wake County (in millions)					
Dollar Amount	$906	$945	$1.02	$1.09	$1.17

Source: NC Division of tourism; Smith Travel; Hunter Interests Inc.

The state hotel industry grew in the first quarter of 2004 (Table 38). The Triangle Region's hotel industry was larger and had a higher average daily room rate and RevPAR, but grew less quickly than in the state as a whole.

Table 38
First Quarter 2004 Lodging Summary

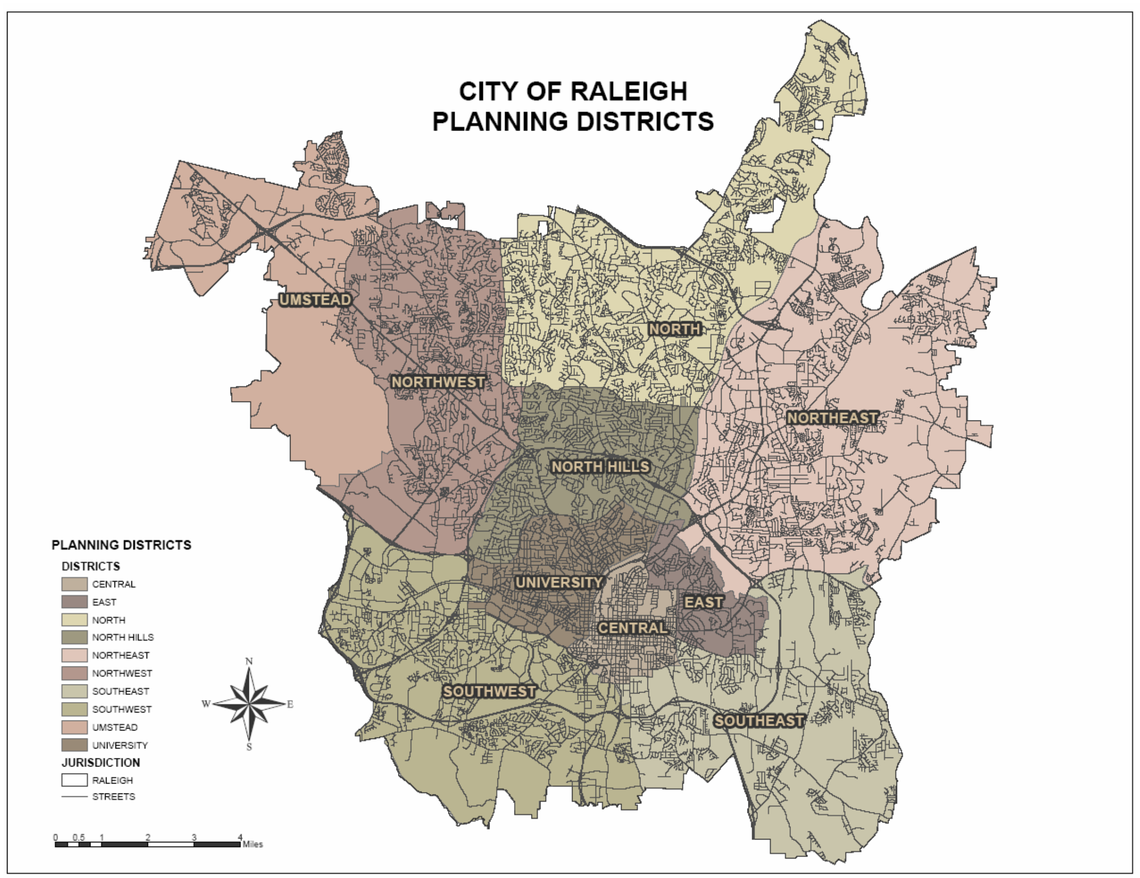
	State 1st Quarter 2004	State +/-% Previous 1st Quarter	Triangle Region 1st Quarter 2004	Triangle Region +/-% Previous 1st Quarter
Hotel/Motel Occupancy	51.1	3.00%	57.3	3.50%
Average Daily Room Rate	$62.20	2.30%	$66.98	1.60%
Revenue Per Available Rm	$31.88	5.50%	$38.48	5.10%

Source: NC Division of Tourism; Smith Travel; Hunter Interests Inc.

Raleigh's new convention center includes the construction of a high-end hotel as well. If Raleigh were to commission a second hotel, it would be wise to aim the product at a different market so as not to cannibalize the burgeoning downtown hotel market. No other hotel competition appears to be situated in the downtown.

Residential Market Discussion

The City of Raleigh is divided into 10 planning districts (see map below). Including both the area within the city limits and the extraterritorial planning and zoning jurisdiction outside the city limits, the City Planning Department estimates that 353,034 persons were living in 153,741 dwelling units in the entire planning jurisdiction on January 1, 2004.



Source: City of Raleigh Planning Department

The majority of recent population growth has taken place in the Northeast Planning District followed by the North, Southwest, Northwest, and Southeast Planning Districts. Growth in these districts is strong due to the availability of land for development in these areas relative to other parts of the City, and to an active apartment development market in recent years.

It is projected that by the year 2025, there will be over 541,000 residents in Raleigh (corporate limits, and the existing and planned jurisdiction). The Northeast District is expected to gain an additional 66,964 residents between 2000 and 2025. The Southeast District will gain 45,397 residents followed by the North District with an increase of 28,228 residents. See Table 39. Umstead will see the largest growth (340%) an additional 25,061 residents in 2025.

Table 39
Population Projections by Planning District 2000-2025

District	2000	2005	2010	2015	2020	2025		Growth	% Growth
Northeast	45,673	59,068	72,463	85,858	99,253	112,637		66,964	146.60%
Southeast	25,854	34,934	44,014	53,094	62,174	71,251		45,397	175.60%
North	58,149	63,794	69,439	75,084	80,729	86,377		28,228	48.50%
Umstead	7,361	12,371	17,381	22,391	27,401	32,422		25,061	340.40%
Northwest	41,631	45,481	49,331	53,181	57,031	60,890		19,259	46.30%
University	23,450	27,250	31,050	34,850	38,650	42,453		19,003	81%
Central	19,190	21,645	24,100	26,555	29,010	31,474		12,284	64%
Southwest	45,954	48,289	50,624	52,959	55,294	57,620		11,666	25.40%
North Hills	26,070	27,715	29,360	31,005	32,650	34,303		8,233	31.60%
East	10,639	11,004	11,369	11,734	12,099	12,468		1,829	17.20%
Total	303,971	351,556	399,141	446,726	494,311	541,895		237,924	n/a

Source: City of Raleigh Planning Dept.; Hunter Interests Inc.

The 2000 Census reports that there were 131,087 housing units located in the Raleigh planning jurisdiction, of which 120,699 were located within the city limits of Raleigh. The North District had the highest number of housing units (25,893) and the Umstead District had the fewest (2,646), but it is expected to experience significant growth as the Brier Creek area continues to develop. Of the 131,087 housing units, 93.5% of the units were occupied, resulting in an overall vacancy rate of 6.5%. See Table 40.

As of Census 2000 there were 66,791 owner-occupied housing units (51%) and 55,798 renter-occupied units (49%) in the Raleigh planning jurisdiction. The Umstead District has the highest percentage of owner-occupied units. The Southwest District, due to the high number of multi-family student housing units, had the lowest percentage of owner-occupied units (31%). The average length of residence was 10 years.

The Raleigh Planning Department reports that during the fourth quarter of 2000, Raleigh's average home price was $237,477 and the average rent for a two-bedroom apartment was $651 per month. Over half the homes in

Table 40
Residential Occupancy by Planning District - 2000

District	Housing Unit Distribution	Owner-Occupied	Renter-Occupied	Housing Units	Units Occupied	Units Vacant
Central	6%	33%	67%	7,643	6,825	818
Southeast	7%	71%	29%	9,431	8,690	741
University	9%	47%	53%	11,384	10,735	649
East	3%	41%	59%	4,406	4,193	213
North	20%	64%	36%	25,893	24,489	1,404
North Hills	9%	66%	34%	11,566	10,986	580
Northeast	14%	65%	35%	18,941	17,744	1,197
Northwest	16%	48%	52%	20,636	19,146	1,490
Southwest	14%	31%	69%	18,541	17,191	1,350
Umstead	2%	96%	4%	2,646	2,590	56
Total		51%	49%	131,087	122,589	8,498

Source: City of Raleigh Planning Dept; Hunter Interests Inc.

Raleigh were worth between $100,000 and $200,000, and the estimated median value of all owner-occupied housing was $173,004.

Table 41
2004 Est. All Owner-Occupied Housing Values

Value Less than $20,000	813	1.23%
Value $20,000 - $39,999	684	1.03%
Value $40,000 - $59,999	659	1.00%
Value $60,000 - $79,999	1,526	2.31%
Value $80,000 - $99,999	3,770	5.70%
Value $100,000 - $149,999	17,551	26.52%
Value $150,000 - $199,999	17,574	26.56%
Value $200,000 - $299,999	14,576	22.03%
Value $300,000 - $399,999	4,380	6.62%
Value $400,000 - $499,999	2,304	3.48%
Value $500,000 - $749,999	1,322	2.00%
Value $750,000 - $999,999	702	1.06%
Value $1,000,000 or more	316	0.48%

Source: Claritas; Hunter Interests Inc.

The number of residential single and multifamily building permits issued grew from 4,203 in 1990 to 10,470 in 2003. There were 6,843 new single-family detached homes sold in 2003, compared to only 326 condominiums and townhomes sold that year. See Table 42.

Table 42
Wake County Building Permits Residential New Construction

	1990	1999	2000	2001	2002	Forecast 2003	% Change 2002-03
Single Family Value ($ thousands)	$287,979	$1,400,000	$1,300,000	$1,220,832	$1,300,000	1,365,000	5.00%
Total Units	3,287	10,800	8,500	8,533	8,800	9,240	5.00%
Multifamily Value ($ thousands)	$20,273	$221,000	$226,710	$160,160	$72,000	73,800	2.50%
Multifamily Units	916	4,660	3,555	3,495	1,200	1,230	2.50%
Wake County Residential Sales							
New Single Family Detatched	3,048	7,356	6,659	6,759	6,517	6,843	5.00%
Resale Single Family Detatched	4,663	9,472	8,866	9,210	9,118	9,574	5.00%
Total Single Family Sold	7,516	16,828	15,525	15,969	15,635	16,417	5.00%
New Condos/ Townhomes	231	1,077	1,081	1,583	318	326	2.50%
Resale Condos/ Townhomes	1,141	1,467	1,345	1,448	570	584	2.50%
Total Condos/ Townhomes Closed	1,644	2,544	2,462	3,031	888	910	2.50%
Lots Closed	3,701	7,806	7,374	2,112	6,691	7,026	5.00%

Source: Greater Raleigh Chamber of Commerce; Hunter Interests Inc.

Single-family building permits kept pace with 2003, but were still down from 2001 and 2002. Residential markets continued to be strong in 2004. There will be continued improvement in multi-family residential, in 2004, with vacancies remaining in the single digits. New construction will increase compared with 2003, and coupled with persistently low interest rates, will slow net absorption. For single family and attached residential, new job creation and low interest rates should keep the housing market strong in 2004. Single family building permits will keep pace with 2003 but still below 2001 2002 level.

D. Conclusion

Quite simply, all market measures indicate the Raleigh/Durham economy is growing at a steady rate, and will continue to do so for the foreseeable future. Downtown can be expected to gain its fair share of this growth market in a “supply pull” dynamic that will be driven by new development projects. The *Livable Streets Plan*, and the associated downtown development strategies that are underway, will be a catalyst to increasing economic activity in *downtown* Raleigh, and will improve the pedestrian environment, enhance public transportation to the area, and otherwise create an aggregate economic/market dynamic, which will attract further development.

Raleigh Technical Memorandum #2

To: City of Raleigh, North Carolina

From: Hunter Interests Inc.

Subject: Developer Interview Summary

Date: September 3, 2004

I. Introduction

Interviews have been conducted with approximately 30 individuals representing a dozen development companies operating in the Raleigh market. Developer interviews are continuing, including discussions with companies that responded to the Blount District RFEI. The purpose of the interviews has been to elicit input and information with regard to Raleigh market characteristics, development trends and planned projects, and support for the conceptual building programs that have been generated for four of the six development tracts.

In addition to gathering verbal input, several of the development companies provided data or other printed information that will be assimilated into a forthcoming Technical Memorandum that treats market supply characteristics. In all cases, the Raleigh development community has proven most forthcoming, and willing to participate in a process that leads to quality development in the downtown. Indeed, many of the development companies interviewed have regional, national and even international scopes, thus making downtown Raleigh the recipient of a large and experienced interest base.

II. General Observations

The fact that so many large development companies are either headquartered in Raleigh, or have a strong presence there, makes a statement in and of itself with regard to the strength of the regional market. This extends to all development market segments including residential, retail, office, lodging, restaurants, and entertainment. In the course of discussions with developers, projects of virtually every type came up as topics of experience, interest, planning, or construction

Viewed as a resource, the Raleigh development community represents a wealth of experienced, well-financed operations that can be drawn on for support of a number of projects including, but not limited to, those associated with the six tracts currently under analysis. In each interview, the conceptual building programs were tested in some fashion. Either the developers were asked what they would do on the various sites, and/or the programs were described and tested for reaction. It is not an exaggeration to state that in virtually every case the conceptual programs tested positively, and a result was a certain comfort /confidence level that the team is on the right track in putting together projects that will attract significant interest from the development community.

III. Specific Developer Observations/Comments

Following are bulleted summary comments taken from interview notes that reflect various opinions, observations, recommendations, and other input for the team's consideration.

- There was unanimous agreement that Fayetteville Street be punched all the way through, and most offered that the street should continue to the BTI Center.
- Wilmington and Salisbury should be made two-way.

- Downtown is under-parked, and any new development will have parking supply as a significant obstacle that will require a solution.
- Sub-markets “fracture” demand for downtown development.
- There is demand for residential, especially apartments, but not for office.
- There may be a potential for swapping privately owned parking garage (under Fayetteville Street) for development rights next to old convention center expansion area.
- The City should consider establishing a Parking Authority.
- The City should utilize the Charlotte Tax Increment Finance (TIF) model to support new infrastructure costs.
- There is a disconnect between demand and development costs for apartments (demand is clearly there, but there is some question as to whether rents can support the high costs of development: Hunter Interests is factoring this input into the financial analysis).
- Research a failed project known as “The Metropolitan.”
- Maintain open space in front of the BTI Center.
- Develop double retail edges along extended Fayetteville Street leading to the BTI Center.
- The “tear down phenomenon” is beginning to surface in the greater Raleigh market. Houses being purchased, torn down, and rebuilt show land/home values rising.
- Northwest quadrant of the downtown area is seen as having greatest growth/investment potential.
- Downtown condos being placed on the market from $180,000 to $700,000.
- Review the “Stroud – Taylor Plan from 1987
- Light rail will have a major impact on downtown development potential.
- Light rail should extend to airport.
- There is an entertainment “sub-culture” in Raleigh that is underserved.
- There should be a plaza component to development in front of the BTI Center.
- There are significant capital resources that can be accessed for development idowntown Raleigh. (This general comment was made by virtually all interviewed developers.)

IV. Conclusion

Each interview essentially constituted a pre-marketing effort to position downtown projects for acceptance by the development community, as well as a sounding board for testing the team's understanding/impression of the Raleigh market. As the interview process continues, developer input will be assimilated into the financial analysis and other work products generated by Hunter Interests.

At this juncture, the only change in the conceptual building programs resulting from the interviews may be a slight decrease in the amount of office space currently shown. This space can be re-programmed and is not seen to affect the overall gross building areas that the team is now evaluating from the planning and design perspective.

As stated previously, the building/use concepts were widely endorsed by the development companies interviewed. From our perspective, this was probably the single most valuable output of the interview process as conducted to date.

Technical Memorandum #3

To: City of Raleigh, NC

From: Hunter Interests Inc.

Subject: Projects in the Development Pipeline

Date: September 14, 2004

I. Introduction

This Technical Memorandum conveys a preliminary assessment of emerging projects in the downtown. It serves as an addition to the market information contained in Technical Memorandum #1: Conceptual Building Programs. That Tech Memo included "top down" data on population growth, employment, and income characteristics of the regional market area. An overview of residential, office, retail, restaurant, and hotel markets was also provided. The market scan concluded that virtually all measures indicate the Raleigh/ Durham economy is growing at a steady rate, and will continue to do so for the foreseeable future.

Downtown can be expected to capture its fair share of this growth market in a "supply pull" dynamic that will be driven by new development projects. *The Livable Streets Plan*, and the associated development strategies that are underway, will be a catalyst for increasing economic activity in downtown. Improvements to both traffic flows and the pedestrian environment (Fayetteville Street), enhanced public transportation to the area (mass transit), and other infrastructure (parking) will further drive an aggregate economic/market dynamic which in turn will attract further development.

New development occurring outside the downtown clearly has an influence on the urban core, and projects such as the American Tobacco Campus, development in the Brier Creek area, the Centennial Campus, projects in the Crabtree Valley Mall area, Streets at South Point, and Triangle Town Center must be taken into account in the overall market picture. However, in this Technical Memorandum the focus is on downtown projects that are at some point in the planning, pre-development, or construction process.

The purpose of this Technical Memorandum is to provide a snapshot in time of emerging development projects, but it should be understood that real estate development is a fluid, sometimes even volatile, process. It is likely that some projects summarized herein will never be built, while others that are unknown at this time, will in fact enter the competitive mix in the future. The short write-ups of the 15 projects that follow are meant to clarify the emerging competitive mix in downtown Raleigh in order that development proposals on the six study tracts can be made with this information in view.

II. Emerging Project Profiles

Blount District Development Area Approximately 30 acres of state owned real estate is being positioned for redevelopment by the private sector. Zoning restrictions and other constraints will limit development types to low- or mid-rise, limited density projects in most, if not all, areas of the district. Development concepts will likely include a mix of housing, office, and retail uses. It is unknown at this time how much development will actually be incorporated into the Blount District, or when. Given the process involved in providing new space for state workers, negotiation of purchase and sale and development agreements, and other aspects of the overall redevelopment effort here, it will likely be several years before significant development can occur. As it relates to the development being pursued in the Convention Center/Hotel, it is important to note the nature of development potential in the two areas is quite different (low density infill vs. high density urban), and thus target markets and projects will be inherently somewhat different.

Dorothea Dix Development Potential This state-owned property is the subject of a newly formed study commission effort to determine the best course of action for disposition/development. Suggestions for future use have ranged from conversion to Raleigh's "Central Park," to intensive development that would include significant numbers of residential units, commercial and office space, retail, etc. There is a concern that intensive development on the site could siphon demand from other downtown projects. Indeed, the potential for the (300?)-acre site to accommodate the equivalent of another downtown does in fact represent a major factor in the market environment.

The Reynolds Project Construction on a planned 14-story, 300,000 square foot mixed use tower at the corner of West Jones and Harrington Streets in downtown Raleigh is scheduled to begin this fall. The $35 million project includes 80,000 square feet of office and retail space, 75,000 square feet of residential condos (60-65 units), and 425 on-site parking spaces. Ted and David Reynolds are developing the project that already has North Carolina Local Government Federal Credit Union, the North Carolina Association of County Commissioners, and the North Carolina League of Municipalities as anchor tenants. (Note: A newspaper article from 2000 talked about Reynolds' plan for a 90-120 room, luxury "boutique" hotel property at 309 Hillsborough St. I am working on determining the status of this project.)

Seaboard Station Trammell Crow is developing the former warehouse complex and rail station at Seaboard and Halifax Streets on the northern edge of the downtown area. Currently configured as three buildings totaling about 150,000 gross square feet, the company plans a combination of restoration, selective demolition, and new construction that will result in approximately 113,000 square feet of specialty retail. Tenants are expected to include several restaurants and destination retailers. Trammell Crow expects to break ground in November, and anticipates occupancy to begin in April or May of 2005.

Dawson on Morgan Complex This downtown residential project is being developed by Hamilton Merritt, Inc. and features 52 upscale condominium units due to be completed in March 2005. Prices will range from $185,000 to $700,000 and are configured in one, two, and three bedroom models. Hamilton Merritt, Inc. is also developing the Depot property, which has been restored and is expected to host a mix of tenants within the next few months.

Progress Energy Building The Carter Company is the developer-at-risk on all but the residential portion of the project. The building will offer 365,000 square feet of net leased office space to Progress Energy who will be a long-term (30-year) tenant. The building will also include 20,000 square feet of master leased space to include 8,700 square feet for a "white table cloth" restaurant (offered at $30 sf net) and approximately 11,000 square feet of shop space offered at $18 sf net.

Progress Energy Building Residential Component White Oak Properties is the developer and marketing/sales agent for the residential portion of the Progress Energy Building. Sixty-six for-sale units are planned for what will be a mixed use project. There will be a combination of studio, one, two, and three bedroom dwellings, anticipated to range in price from approximately $170,000 to $400,000. White Oak Properties plans to make an initial offering to Progress Energy employees who are expected to purchase perhaps 10 of the available units. White Oak plans to break ground on the project in October or November of 2004, with completion anticipated in the spring of 2006.

David Allen Tile and Marble Company This adaptive reuse project being developed by Greg Hatem (Empire Properties) is expected to include a mix of restaurants, shops, offices, and condos (Note: How many?) The project is located on an acre of downtown land between the Glenwood South entertainment district and the Triangle Transit Authority's planned State Government Station. The project includes renovation of a 4,000 square foot building at Harrington and North for offices, a newly constructed four-story 20,000 square foot structure with retail on the first floor and three condos above, and a renovated 7,000 square foot building that will host a restaurant. (Note: Get development schedule.)

The Hudson A restoration and adaptive reuse project in the heart of downtown, the Hudson (Kin's Building and Development) will offer 18,000 square feet of retail and restaurant space and 64 condos starting at approximately $225,000. The 1930s era building will host both one and two bedroom dwellings, and offer gated garage parking. (Note: Get development schedule.)

The Paramount Located in the Glenwood South district**,** the Paramount is a residential condominium project. One, two and three-bedroom units range in price from $194,00 to $850,000. (Note: Get unit count and development schedule.)

The Creamery An unidentified development group (Note: Do we know who this is?) is negotiating to buy nearly an acre at West and North Streets that was once used by the old Pine Street Creamery for vehicle maintenance. The group is considering housing (Note: How Many units/price point), offices, and retail uses on the site according to a published newspaper report (August 27, 2004).

North Hills Mixed Use Lifestyle Center The North Hills Mall is the subject of a redevelopment effort that will feature a 14-screen movie theater on top of a Target, surrounded by boutiques, restaurants, offices, a condominium building, and hotel. The entire mixed use project will encompass 730,000 square feet of space. The planned hotel is a 240-room Renaissance product that is a luxury brand of Marriott. (Note: Get number of condo units, development schedule, etc.)

Downtown Housing Improvement Corporation Eighty-unit affordable housing project (East Davie, South Bloodworth, South East, and East Cabarrus). Thirty-six one-bedroom, 34 two-bedroom, and 10 three-bedroom apartments. This is essentially a mixed use project with business center, fitness area, and 6,000 square feet of office or retail space. Project completion is anticipated for early 2006.

Cameron Village While not "downtown," this in-town project bears discussion as it relates to the overall competitive supply picture. The Cameron Village Shopping Center is the primary anchor and is undergoing renovation. The village is a grid street pattern, and has a suggested upper limit of 1.5 million square feet of retail. There are also residential components that contribute to the overall village feel and concept.

NCSU Centennial Campus This "technopolis" is to be comprised of university, corporate, and government R&D facilities and business incubators, with a town center, conference center and hotel, upscale housing, and recreational amenities. Located just south of NC State, the Centennial Campus has attracted over 100 large and small companies, government agencies, and NC State units. There has been $340 million invested to date in facilities and infrastructure.

III. Summary Conclusion

Clearly, there is a significant amount of development activity occurring in and around downtown Raleigh. The strength of the "supply pull" market dynamic will continue to grow as a result, but issues associated with absorption, saturation, etc. are also raised. Further analysis on the emerging projects summarized herein will be undertaken to put a finer quantitative point on the overall market analysis, but rough numbers illustrate certain themes.

There are approximately 500 condominiums in the downtown area at this time. If all of the projects listed above are built, approximately 700 to 1,000 additional residential units will be added to the supply (mostly condos). The upper end of the scale would only be reached (or exceeded) if the Dorothea Dix property contains a significant number of residential units. The Conceptual Building Programs for the study area contain approximately 420 residential units (200 of which are apartments). Taking existing and planned residential development together, there are still less than 2,000 downtown dwelling units in the mix.

Given the magnitude of key downtown projects, and the fact that several are only in the pre-development planning stages, one can anticipate a ten-year development cycle during which these units and other spaces would have to be absorbed. Therefore, approximately 1,000 condos (or 100 units per year) would have to be absorbed over this time span. This equates with bringing another 1,500 people or so to live in the downtown.

An effort will be made to establish an optimum number of downtown residents in relation to achieving the vision of the Livable Streets Plan (10,000 has been suggested through comparisons with other cities), and reconciling it with planned development, projected absorption, etc. Given existing condos, planned condos, and apartments, we roughly estimate that in the aggregate they represent about 3,000 downtown residents. Given the Raleigh/Durham MSA population of approximately 1.25 million, this represents a small percentage of potential urban dwellers.

Retail, restaurant, and commercial projects are also planned for the downtown. Taking those aspects of the emerging projects into view, one can envision a much more vibrant and active downtown area that will in turn improve the environment for urban living even more. Thus the cycle of new residential development in downtown leveraging new establishments to eat, shop, and be entertained, thus spurring additional residential development, seems to be gaining momentum.

Raleigh Technical Memorandum #4

To: City of Raleigh, NC

From: Hunter Interests Inc.

Subject: Parking Needs Assessment for Conceptual Building Programs

Date: October 25, 2004

I. Introduction

This Technical Memorandum conveys a preliminary assessment of the off-street parking requirements for conceptual building programs proposed for Sites 1-4, and 6 in the south Raleigh study area. Parking requirements have been calculated using three different methods. The first method is based on measuring units for each use or category, as provided for in the Raleigh Zoning Ordinance. In the case of mixed uses, or uses with different parking requirements occupying the same building or premises, the number of parking spaces equal the sum of the requirements of the various uses computed separately. Therefore, the number of spaces calculated does not take into account shared parking, shared patronage, time-of-day differences, on-street parking, or other arrangements that would potentially alleviate some of the parking requirement in an urban environment.

The second method uses parking generation rates data provided by the informational report, *"Parking Generation," 2nd Edition, Institute of Transportation Engineers (ITE),* which is based on actual analyses of parking by specific use types. These figures can be used as a guide when assessing projects on a case-by-case basis in an overlay district, where requirements are less stringent. The third method is also based on the ITE manual, and takes into account typical reductions in parking space requirements associated with shared patronage in the same or nearby development in a central business district.

II. Parking Needs Assessment

Site 1 Four alternative concepts have been proposed for Site 1:

- An urban entertainment center that combines restaurants, live entertainment venue, and cinema, with a gross building area in the 100,000- to 200,000-square-foot range.
- A civic/mixed-use project that incorporates the potential for a new downtown library, conference/meeting space, office space, and residential.
- A residential-heavy, mixed-use project with a health club component.
- A corporate headquarters office building. Due to the uncertainties associated with the size and scope of such a project, a practical assessment of parking needs cannot be made at this time. However, the parking requirements would likely be somewhat less than those for the proposed urban entertainment center.

Urban Entertainment Center: By zoning ordinance, parking requirements for the urban entertainment center are calculated at one space per 200 square feet of floor area. ITE parking generation rates are four spaces per 1,000 square feet of floor space, which is similar to the Saturday requirements for a suburban retail shopping center of 100,000 to 200,000 square feet. The number of parking spaces required for this building program ranges from **750 by zoning to 600 under ITE parking generation rates. Within the downtown, shared and on-street parking could bring the requirement down to 420 spaces.**

Civic/Mixed-Use Project: Parking requirements for the library/conference center component are calculated based on one parking space per 300 square feet of floor area by ordinance. The ITE manual does not include libraries as a category. The number of parking spaces required for this building program ranges from **133 spaces for a 40,000-square-foot facility, to 42 spaces if located downtown.**

The residential building program assumes an equal number of one-bedroom units to two-bedroom units. Parking requirements are calculated based on 1.5 spaces for one-bedroom units, and 2 spaces for 2-bedroom units. Therefore, **a building program of 150 units would require 263 parking spaces.** Residential parking requirements generally have the least amount of flexibility among use types, however, **ITE parking generation rates are 165 spaces** for the same building program

Residential/Health Club: This scenario proposes the same residential program as the previous scenario, therefore the residential parking requirements would be **263 parking spaces.**

The health club parking requirement calculations are based on one parking space per 300 square feet of floor area. The number of parking spaces required for this component ranges are **167 spaces for a 50,000-square-foot facility. FTE parking generation rates are higher for this type of facility, at 219 spaces. The effects of the captive market could reduce the requirement by 61%, to 65 spaces.**

Parking requirements for the three scenarios proposed for Site 1 range from a **high of 420 to 750 spaces for the urban entertainment concept to a low of 217 to 396 spaces for the civic/mixed-use concept.** See Table 1.

Table 1
Parking Needs Assessment

Project	Square feet	Dwell. Units	Parking Spaces Ord.[1]	Rates[2]	Shared[2]
Site 1					
Urban Entertainment Center	150,000		*750*	*600*	*420*
or *Civic/Mixed-Use Project*			*396*	*298*	*217*
Library/Conference	40,000		133	133	52
Residential Units		150	263	165	165
or *Residential/Health Club*			*430*	*384*	*328*
Residential Units		150	263	165	263
Health and Fitness Facility	50,000		167	219	65

[1]Raleigh Zoning Ordinance base parking requirements

[2]"Parking Generation", 2nd Edition, ITE

Source: Hunter Interests Inc., City of Raleigh, Institute of Traffic Engineers

Site 2 The development concept for Site 2 proposes an arts-themed, mixed-use commercial project. Project elements include a commercial office component, a restaurant/entertainment cluster, an arts/specialty retail component, and public/ civic space.

Based on an equal number of one-bedroom units to two-bedroom units, parking for the 20 residential units **would require 35 parking spaces by zoning, and 22 under ITE rates.** Since the residential component will essentially accommodate the captive market for other uses, no shared patron reduction is applied.

Parking requirement calculations for the restaurant/entertainment cluster are based on one parking space per 50 square feet of floor area by ordinance, and 16 spaces per 1,000 square feet under ITE rates. **For a 30,000-square-foot facility,** the number of parking spaces required for this component range from **600 spaces by ordinance to 480 spaces under ITE rates. The effects of the captive market could reduce the requirement down to 187 spaces.**

Retail parking requirements are calculated based on one space per 200 square feet of floor area by ordinance, and four spaces per 1,000 square feet under ITE rates. The number of parking spaces required for this component range from **a high of 150 to a low of 120, with an additional captive market reduction to bring the requirement to 47 spaces.**

Public space parking requirements are calculated based on one space per 300 square feet of floor area. **The number of parking spaces required for this component equal 33, which can be reduced to 13 by virtue of the downtown location.**

Parking requirements for the Site 2 concept range from a **high of 818 by ordinance to a low of 282 under a shared arrangement.** See Table 2.

Site 3 The development concept for Site 3 proposes high-end, for sale residences that feature health and wellness facilities and/or a spa as distinguishing features, with a small specialty retail component.

The residential building program assumes an equal number of one-bedroom units to two-bedroom units. Parking requirements are calculated based on 1.5 spaces for one-bedroom units, and 2 spaces for 2-bedroom units. Therefore, a building program of **100 units would require 175 parking spaces by ordinance. Using ITE rates, the parking requirement would equal 110 spaces.**

Site 1 includes a scenario for a 50,000-square-foot health club for which the parking requirement has been calculated. Site 3 should be considered an alternate site for the health club if a different building program scenario is chosen for Site 1. See Table 3.

Table 3
Parking Needs Assessment

Project	Square feet	Dwell. Units	Parking Spaces Ord.[1]	Rates[2]	Shared[2]
Site 3					
Residential and Spa			*185*	*118*	*178*
Condos		100	175	110	175
Health and Fitness Facility[3]	50,000		0	0	0
Retail	2,000		10	8	3

[1]Raleigh Zoning Ordinance base parking requirements

[2]"Parking Generation", 2nd Edition, ITE

[3]Alternate site

Source: Hunter Interests Inc., City of Raleigh, Institute of Traffic Engineers

Site 4 The development concept for Site 4 proposes a high-end, boutique hotel, coupled with lease space that could accommodate restaurants and retail space. The project concept also calls for 20 luxury penthouse residences whose owners would have access to hotel services and amenities.

The hotel parking requirement calculations are based on one parking space per room by ordinance, therefore **the number of hotel parking spaces equals 80 for an 80-room hotel.** Luxury condos assume 2 parking spaces per unit, which would require an **additional 40 spaces.** Based on a shared parking arrangement and the captive market effect, hotels with accessory restaurants and retail typically do not require additional parking. Parking needs range from a high of 320 spaces to a low of 120 spaces. See Table 4.

Table 4
Parking Needs Assessment

Project	Square feet	Dwell. Units	Parking Spaces Ord.[1]	Rates[2]	Shared[2]
Site 4					
"Boutique Hotel"/Condos			*320*	*253*	*120*
Hotel		80	80	71	80
Condos		20	40	22	40
Restaurant/Retail	20,000		200	160	0

[1]Raleigh Zoning Ordinance base parking requirements

[2]"Parking Generation", 2nd Edition, ITE

Source: Hunter Interests Inc., City of Raleigh, Institute of Traffic Engineers

Site 6 The development concept for Site 6 calls for 100 one-bedroom and 100 two-bedroom rental apartments with a 25,000-square-foot commercial office component, and 2,000 to 3,000 square feet of service/retail space.

Residential parking requirements are calculated based on 1.5 spaces for one-bedroom units, and 2 spaces for 2-bedroom units. Therefore, a building program of **200 units would require 350 parking spaces.**

Office parking requirements are calculated based on one space per 300 square feet of floor area. The number of parking spaces required for this component range from **83 spaces for 25,000 square feet of office, or 70 spaces if based on ITE**
rates of parking generation. The retail component would require 10 parking spaces by ordinance, which could be reduced to 0 by taking into account the captive market . Total parking needs range from 443 to 377 spaces. See Table 5.

Table 5
Parking Needs Assessment

Project	Square feet	Dwell. Units	Parking Spaces Ord.[1]	Rates[2]	Shared[2]
Site 6					
Apartment/Commercial			*443*	*254*	*377*
Apartments		200	350	176	350
Office	25,000		83	70	27
Retail	2,000		10	8	0

[1]Raleigh Zoning Ordinance base parking requirements
[2]"Parking Generation", 2nd Edition, ITE
Source: Hunter Interests Inc., City of Raleigh, Institute of Traffic Engineers

Table 6 is a summary of parking needs for the subject sites and their development programs.

Table 6
Parking Needs Assessment Summary

Project	Square feet	Dwell. Units	Parking Spaces Ord.[1]	Rates[2]	Shared[2]
Site 1					
Urban Entertainment Center	150,000		*750*	*600*	*420*
or *Civic/Mixed-Use Project*	40,000	150	*396*	*298*	*217*
or *Residential/Health Club*	50,000	150	*430*	*384*	*328*
Site 2					
Arts/Mixed-Use/Commercial	70,000	20	*818*	*655*	*282*
Site 3					
Residential and Spa	52,000	100	*185*	*118*	*178*
Site 4					
"Boutique Hotel"/Condos	10,000	120	*320*	*253*	*120*
Site 6					
Apartment/Commercial	27,000	200	*443*	*254*	*377*
Minimum Totals	399,000	740	**1,344**	**923**	**892**
Maximum Totals	399,000	740	**1,698**	**1,225**	**1,095**

[1]Raleigh Zoning Ordinance base parking requirements
[2]"Parking Generation", 2nd Edition, ITE
Source: Hunter Interests Inc., City of Raleigh, Institute of Traffic Engineers

Raleigh Technical Memorandum #5

To: City of Raleigh, North Carolina

From: Hunter Interests Inc.

Subject: Fiscal Benefit Analysis

Date: October 29, 2004

I. Introduction

This Technical Memorandum conveys a preliminary assessment of the fiscal revenues associated with the various development scenarios for the subject properties in downtown Raleigh, which include Sites 1 through 4, and Site 6. For the purpose of this analysis, fiscal revenues are comprised of real estate property taxes, storm water fess, sales taxes, and hotel and prepared food taxes, where applicable.

II. Fiscal Benefit Analysis

The fiscal benefit analysis assumes estimated assessments for various development components based on per square-foot values of $112 for commercial properties and $175 for residential properties. Land value is based on $25 per square foot. We have presented estimates of tax revenue based on local practices that include real estate property taxes that are applied at the rate of 0.395 per $100 of assessed value for the City, and 0.0786 per $100 of assessed value for the Municipal Service District. Other recurring revenues will be generated through a yearly storm water fee based on impervious areas.

Table 1 shows calculations used to derive assessed values for land and improvements as proposed in the conceptual building program. The assessed values are subsequently used to derive estimates of property tax revenues and storm water fees for the individual projects. See Tables 1 and 2.

Table 1
New Project Assessment Estimates

	Total Estimated Assessment	Land Square Feet	Land Est. Ass. Per SF	Land Estimated Assess.	Improvements Square Feet	Improvements Est. Ass. Per SF	Improvements Estimated Assessment
Site 1							
Urban Entertainment Center	$18,637,500	73,500	$25	$1,837,500	150,000	$112	$16,800,000
Civic/Mixed-use Project	$29,837,500	73,500	$25	$1,837,500			
Library/Conference Center					40,000	N/A	
Condominiums					160,000	$175	$28,000,000
Residential/Health Club	$35,437,500	73,500	$25	$1,837,500			
Condominiums					160,000	$175	$28,000,000
Health Club					50,000	$112	$5,600,000
Site 2							
Arts/Mixed-use/Commercial	$14,770,000	42,000	$25	$1,050,000			
Condominiums					40,000	$175	$7,000,000
Restaurant					30,000	$112	$3,360,000
Retail					30,000	$112	$3,360,000
Public Space					10,000	N/A	
Site 3							
Residential/Health Club	$31,374,000	42,000	$25	$1,050,000			
Condominiums					140,000	$175	$24,500,000
Health Club					50,000	$112	$5,600,000
Retail					2,000	$112	$224,000
Site 4							
Hotel/Condos	$15,390,000	22,000	$25	$550,000			
Hotel					60,000	$112	$6,720,000
Condominiums					40,000	$175	$7,000,000
Restaurant					10,000	$112	$1,120,000
Site 6							
Apartments/Commercial	$22,206,700	95,308	$25	$2,382,700			
Apartments					150,000	$112	$16,800,000
Office					25,000	$112	$2,800,000
Retail					2,000	$112	$224,000

Source: Hunter Interests Inc.

Table 2
New Project Estimated Property Tax & Fee Revenues

Project	Total Estimated Assessment	Tax Revenues: City Property	Tax Revenues: Municipal Service District	Storm Water Fee
Site 1				
Urban Entertainment Center	$18,637,500	$73,618	$14,649	$1,561
Civic/Mixed-use Project	$29,837,500	$117,858	$23,452	$1,561
Residential/Health Club	$35,437,500	$139,978	$27,854	$1,561
Site 2				
Arts/Mixed-use/Commercial	$14,770,000	$58,342	$11,609	$670
Site 3				
Residential/Health Club	$31,374,000	$123,927	$24,660	$670
Site 4				
Hotel/Condos	$15,390,000	$60,791	$12,097	$467
Site 6				
Apartments/Commercial	$22,206,700	$87,716	$17,454	$2,024

Source: City of Raleigh; Hunter Interests

Additional fiscal revenues will be generated to the City through a sales tax of 2.5%, of which approximately 60% is returned to the City. Other revenues include a bed tax imposed on lodging revenues and a food and beverage tax imposed on on-premises sales. The bed tax is applied to 6% of gross lodging receipts, and the food and beverage tax is applied to 1% of gross receipts of on-premise sales. Table 3 shows components of the building program subject to the aforementioned taxes.

Sales taxes are calculated based on projected sales per square foot. Food and beverage sales are also calculated based on gross sales per square foot. Food and beverage are assumed to constitute 60% of sales in the Urban Entertainment Center. Hotel room nights assume stabilized occupancy of 67%. See Table 3.

Table 3
Sales Taxes

	Square Feet	Sales Per SF	Gross Sales	Sales Tax at 1.5%	Food & Bev Tax at 1%
Site 1					
Urban Entertainment Center	150,000	$200	$30,000,000	$450,000	$180,000
Health Club	50,000	$100	$5,000,000	$75,000	
Site 2					
Restaurant	30,000	$175	$5,250,000	$78,750	$52,500
Retail	30,000	$150	$4,500,000	$67,500	
Site 3					
Health Club	50,000	$100	$5,000,000	$75,000	$50,000
Retail	2,000	$150	$300,000	$4,500	
Site 4					
Restaurant	10,000	$175	$1,750,000	$26,250	$17,500
Site 6					
Retail	2,000	$150	$300,000	$4,500	

Hotel Tax

	Room Nights	ADR YR. 4	Gross Sales	Bed Tax at 6%
Site 4				
Hotel	19,564	$195	$3,814,980	$228,899

Source: City of Raleigh; Hunter Interests Inc.

Raleigh Technical Memorandum #6

To: City of Raleigh, North Carolina

From: Hunter Interests Inc.

Subject: Financial Analysis of Conceptual Building Programs

Date: November 2, 2004

Financial Analysis and Capital Cost Projections

A. Overview and Methodology

The financial analysis of the recommended development strategy outlined in this report is comprised of various interrelated projections and assumptions. At the conceptual level, these assumptions are necessarily subject to certain unknowns and other factors that are difficult to forecast. The purpose of this analysis is to establish the basic parameters for financial feasibility, and to estimate capital cost requirements, so that a strategy for development may be pursued.

Hunter Interests Inc. has prepared pro forma cash flow analyses and capital cost projections for conceptual building programs recommended for five redevelopment sites within the Convention Center Cultural District. In the case of Site 1, four alternative building programs were proposed, three of which are subject to financial analysis in this section. The projects analyzed herein are the major development projects described in the *Urban Design Approach* section of the Master Plan:

Site One:
- Alternative A Urban Entertainment Center
- Alternative B Residential/Civic Mixed Use
- Alternative C Residential/Health Club

Site Two: Arts Themed Mixed Use/Commercial
Site Three: Residential "The Spa" Commercial Project
Site Four: High-End "Boutique" Hotel/Condo Mixed Use
Site Six: Apartment/Commercial

Construction costs for the building programs are based on available data for similar projects in the region, and/or regionally adjusted costs for comparable projects recently constructed outside of the region. Price points and rental rates are derived from an analysis of the local real estate market.

In order to assess the feasibility of residential development and sales in a manner that emphasizes attraction of private investment capital, we have included a required return on equity of 50%, assuming initial developer equity of 25%. This also reflects the nature of cash flow in a sales environment where profit is unit based and not driven by ongoing operations as in leased apartments or commercial space.

For commercial building programs, supportable debt is calculated based on the stabilized NOI in year four and a debt coverage ratio of 1.4. Supportable equity is calculated based on a 17% required developer's return on investment for commercial projects, assuming a 7% conventional loan and a term of 30 years.

B. Site One Urban Entertainment Center

Table 1
Raleigh Site #1a
Urban Entertainment Center Assumptions

Building Costs	
Square footage	150,000
Building and site improvements	$200
Soft costs	$100
Total per SF costs	$300
Total Costs	$45,000,000
Operational Characteristics	
Revenue Per Square Foot	$200
Operating Expenses	80% of Revenue

Source: Hunter Interests Inc.

Table 2
UEC Concept Pro Forma Cash Flow

Net Operating Income	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Revenues										
Gross Building Area	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Revenue Space	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Revenue per Square Foot	$200.00	$202.00	$204.02	$206.06	$208.12	$210.20	$212.30	$214.43	$216.57	$218.74
Annual Total Revenue	$24,000,000	$24,240,000	$24,482,400	$24,727,224	$24,974,496	$25,224,241	$25,476,484	$25,731,248	$25,988,561	$26,248,447
Expenses										
Operating Expenses @ 80%	$19,200,000	$19,392,000	$19,585,920	$19,781,779	$19,979,597	$20,179,393	$20,381,187	$20,584,999	$20,790,849	$20,998,757
Replacement Reserve @2%	$480,000	$484,800	$489,648	$494,544	$499,490	$504,485	$509,530	$514,625	$519,771	$524,969
Net Operating Income										
Total Annual Revenues	$24,000,000	$24,240,000	$24,482,400	$24,727,224	$24,974,496	$25,224,241	$25,476,484	$25,731,248	$25,988,561	$26,248,447
Total Annual Expenses	$19,680,000	$19,876,800	$20,075,568	$20,276,324	$20,479,087	$20,683,878	$20,890,717	$21,099,624	$21,310,620	$21,523,726
Net Operating Income	$4,320,000	$4,363,200	$4,406,832	$4,450,900	$4,495,409	$4,540,363	$4,585,767	$4,631,625	$4,677,941	$4,724,720

Source: Hunter Interests Inc.

Table 3
Site #1 Urban Entertainment Center, Supportable Debt/Equity

Project Cash Flow		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income		$4,320,000	$4,363,200	$4,406,832	$4,450,900	$4,495,409	$4,540,363	$4,585,767	$4,631,625	$4,677,941	$4,724,720
Annual Debt Service		$3,179,215	$3,179,215	$3,179,215	$3,179,215	$3,179,215	$3,179,215	$3,179,215	$3,179,215	$3,179,215	$3,179,215
Annual Cash Flow		$1,140,785	$1,183,985	$1,227,617	$1,271,686	$1,316,195	$1,361,149	$1,406,553	$1,452,410	$1,498,726	$1,545,506
Supportable Funds											
Supportable Equity:											
Required Developer Return		17%									
Supportable Equity		$5,984,627									
Supportable Debt:											
NOI YEAR 4		$4,450,900									
Debt Coverage Ratio		1.4									
Debt Service		$3,179,215									
Interest Rate	7%										
Loan Term	30										
Supportable Debt		$39,821,667									
Total Supportable Funds											
Minimum Equity[1]		$5,984,627	13%								
Supportable Debt[2]		$39,821,667	87%								
Total Supportable Funds		$45,806,294	100%								

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required

[2] Supportable debt is calculated based on cash flow available for debt service.

Source: Hunter Interests Inc.

Total development costs for the Urban Entertainment Center project are estimated to be approximately $45 million, minus land. Assuming a 7% conventional loan and a term of 30 years, the supportable debt on the project is estimated at approximately $39.8 million. Based on annual cash flow after debt service, the project could generate a minimum of $5.9 million of private investment capital with actual equity contributions likely to be much greater.

Table 4
Site #1 Urban Entertainment Center Capital Costs

Building Hard Costs		Supportable Funds	
Gross Building Area	150,000	Minimum Equity	$5,984,627
Development Cost/Sq. Ft.	$300	Conventional Debt	$39,821,667
Development Costs	$45,000,000	**Total Supportable Funds**	$45,806,294

Source: Hunter Interest Inc.

C. Site One Residential/Civic Mixed Use

Table 5
Raleigh Site #1b
Mixed Use Building 1 Assumptions

Building Costs	
Square footage	40,000
Building and site improvements	$100
Soft costs	$45
Total per SF costs	$145
Total Costs	$5,800,000
Condominiums	
# of units	150
Building and site improvements	$180,000
Soft costs	$60,000
Total per unit costs	$240,000
Condos unit sales price	$350,000

Source: Hunter Interests Inc.

Total development costs for the Site 1 condominiums are estimated to be approximately $36 million. See Table 6.

Table 6
Raleigh Site #1b Condominium Financial Projections

Development Costs	Finance/ Sales Costs	Developer's Equity @ 25%	Required Return on Equity @ 50%	Total Return Required Development & Finance Cost Plus Return on Equity	Sales Price per Unit	Total Sales Revenue
$36,000,000	$5,400,000	$9,000,000	$4,500,000	$45,900,000	$350,000	$52,500,000

Source: Hunter Interests Inc.

Total development costs for the civic component are estimated to be approximately $5.8 million. For the purposes of this analysis, it is assumed that the civic space will be publicly supported, so no cash flow analysis was prepared. However, this space could ultimately generate some degree of operational revenues, depending upon its final disposition. See Table 7.

Table 7
Site #1b Civic Space and Condos Capital Costs

Building Hard Costs		**Supportable Funds**	
Gross Building Area	40,000	Minimum Equity	$0
Hard Cost Per Square Foot	$100	Conventional Debt	$0
Soft Cost Per Square Foot	$45	**Total Supportable Funds**	$0
Total Development Costs	$5,800,000	**Project Costs**	$5,800,000
Condo Residences			
Total Development Costs	$19,500,000		

D. Site One Residential/Health Club

Table 8
Raleigh Site #1c
Mixed Use Building 1 Assumptions

Building Costs	
Square footage	50,000
Building and site improvements	$100
Soft costs	$45
Total per SF costs	$145
Total Costs	$7,250,000
Condominiums	
# of units	150
Building and site improvements	$180,000
Soft costs	$60,000
Total per unit costs	$240,000
Condos unit sales price	$350,000

Source: Hunter Interests Inc.

Table 9
Raleigh Site #1c Condominium Financial Projections

Development Costs	Finance/ Sales Costs	Developer's Equity @ 25%	Required Return on Equity @ 50%	Total Return Required Development & Finance Cost Plus Return on Equity	Sales Price per Unit	Total Sales Revenue
$36,000,000	$5,400,000	$9,000,000	$4,500,000	$45,900,000	$350,000	$52,500,000

Source: Hunter Interests Inc.

Table 10
Site #1c Commercial Component Cash Flow

Net Operating Income	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Revenues:										
Gross Building Area, Spa & Retail	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Net Rentable Area @ 90%	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Average Occupancy	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%
Occupied Space (RSF)	43,650	43,650	43,650	43,650	43,650	43,650	43,650	43,650	43,650	43,650
Retail Rental Rate NNN, 2.5% Esc.	$18.00	$18.45	$18.91	$19.38	$19.87	$20.37	$20.87	$21.40	$21.93	$22.48
Total Annual Revenue	$785,700	$805,343	$825,476	$846,113	$867,266	$888,947	$911,171	$933,950	$957,299	$981,232
Expenses										
Unoccupied Space	6,350	6,350	6,350	6,350	6,350	6,350	6,350	6,350	6,350	6,350
Operating Expenses per Square Foot	$5.00	$5.13	$5.25	$5.38	$5.52	$5.66	$5.80	$5.94	$6.09	$6.24
Replacement Reserve	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Operating Expenses	$41,750	$42,544	$43,357	$44,191	$45,046	$45,922	$46,820	$47,741	$48,684	$49,651
Net Operating Income										
Total Annual Revenues	$785,700	$805,343	$825,476	$846,113	$867,266	$888,947	$911,171	$933,950	$957,299	$981,232
Total Annual Expenses	$41,750	$42,544	$43,357	$44,191	$45,046	$45,922	$46,820	$47,741	$48,684	$49,651
Net Operating Income	$743,950	$762,799	$782,119	$801,922	$822,220	$843,025	$864,351	$886,210	$908,615	$931,580

Source: Hunter Interests Inc.

Table 11
Site 1c Concept, Commercial Component, Supportable Debt/Equity

Project Cash Flow		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
NOI Spa Rental		$743,950	$762,799	$782,119	$801,922	$822,220	$843,025	$864,351	$886,210	$908,615	$931,580
Annual Debt Service		$572,801	$572,801	$572,801	$572,801	$572,801	$572,801	$572,801	$572,801	$572,801	$572,801
Annual Cash Flow		$171,149	$189,998	$209,318	$229,120	$249,419	$270,224	$291,550	$313,408	$335,814	$358,779
Supportable Funds											
Supportable Equity:											
Required Developer Return		17%									
Supportable Equity		$1,099,919									
Supportable Debt:											
NOI YEAR 4		$801,922									
Debt Coverage Ratio		1.4									
Debt Service		$572,801									
Interest Rate	7%										
Loan Term	30										
Supportable Debt		$7,174,696									
Total Supportable Funds											
Minimum Equity[1]		$1,099,919	13%								
Supportable Debt[2]		$7,174,696	87%								
Total Supportable Funds		$8,274,615	100%								

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required.

[2] The financial model employed in this table uses conventional debt financing. The actual financing package would likely use a combination of short term construction loans, low-interest industrial or economic development loans, and debt that could be structured at more favorable terms within the 30-year span.

Source: Hunter Interests Inc.

Table 12 Site #1c Health Club and Condos Capital Costs			
Building Hard Costs		**Supportable Funds**	
Gross Building Area	50,000	Minimum Equity	$1,099,919
Hard Cost Per Square Foot	$100	Conventional Debt	$7,174,696
Soft Cost Per Square Foot	$45	**Total Supportable Funds**	$8,274,615
Total Development Costs	$7,250,000	**Project Costs**	$7,250,000
	Condo Residences		
Total Development Costs	$36,000,000		

Source: Hunter Interest Inc.

Table 13 Raleigh Site #2 Mixed Use Building Assumptions	
Building Costs	
Square footage	70,000
Building and site improvements	$100
Soft costs	$45
Total per SF costs	$145
Total Costs	$10,150,000
Retail	
Square Feet	30,000
Rent Rate NNN	$20
Restaurant, F&B	
Square Feet	30,000
Rent Rate NNN	$20
Condominiums	
# of units	20
Building and site improvements	$180,000
Soft costs	$60,000
Total per unit costs	$240,000
Condos unit sales price	$350,000
Arts Space	
Square Feet	10,000
Rent Rate	$10

Source: Hunter Interests Inc.

Cash flow from the health club assumes a leasing arrangement. Total development costs for the building are estimated to be approximately $7.3 million, minus land. Assuming a 7% conventional loan and a term of 30 years, the supportable debt on the project is estimated at approximately $7.2 million. Based on annual cash flow after debt service, the project could generate a minimum of $1.1 million of private investment capital with actual equity contributions likely to be much greater. The residential building program in this scenario is identical to that of the Residential/Civic Mixed Use alternative.

E. Site Two Arts Themed Mixed Use/Commercial Project

Total development costs for the Site 2 condominiums are estimated to be approximately $4.8 million. See Table 14.

Table 14
Raleigh Site #2 Condominium Financial Projections

Development Costs	Finance/ Sales Costs	Developer's Equity @ 25%	Required Return on Equity @ 50%	Total Return Required Development & Finance Cost Plus Return on Equity	Sales Price per Unit	Total Sales Revenue
$4,800,000	$720,000	$1,200,000	$600,000	$6,120,000	$350,000	$7,000,000

Source: Hunter Interests Inc.

Table 15
Site #2 Mixed Use Building, Retail, Restaurant, Arts Space

Net Operating Income	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Revenues:										
GBA, Retail and Restaurant	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Average Occupancy	60%	70%	80%	95%	95%	95%	95%	95%	95%	95%
Occupied Retail Space (RSF)	36,000	42,000	48,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000
Rental Rate NNN	$18.00	$18.45	$18.91	$19.38	$19.87	$20.37	$20.87	$21.40	$21.93	$22.48
Commercial Rent Revenue	$648,000	$774,900	$907,740	$1,104,890	$1,132,512	$1,160,825	$1,189,845	$1,219,592	$1,250,081	$1,281,333
GBA, Arts Space	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Average Occupancy	60%	70%	80%	95%	95%	95%	95%	95%	95%	95%
Occupied Arts Space (RSF)	6,000	7,000	8,000	9,500	9,500	9,500	9,500	9,500	9,500	9,500
Rental Rate NNN	$10	$10.25	$10.51	$10.77	$11.04	$11.31	$11.60	$11.89	$12.18	$12.49
Arts Space Rent Revenue	$60,000	$71,750	$84,050	$102,305	$104,862	$107,484	$110,171	$112,925	$115,748	$118,642
Annual Total Revenue	$708,000	$846,650	$991,790	$1,207,194	$1,237,374	$1,268,309	$1,300,016	$1,332,517	$1,365,830	$1,399,975
Expenses										
Unoccupied Space	28,000	21,000	14,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Operating Expenses per SF	$5.00	$5.13	$5.25	$5.38	$5.52	$5.66	$5.80	$5.94	$6.09	$6.24
Replacement Reserve	$21,240	$25,400	$29,754	$36,216	$37,121	$38,049	$39,000	$39,976	$40,975	$41,999
Operating Expenses	$161,240	$133,025	$103,297	$55,061	$56,438	$57,849	$59,295	$60,778	$62,297	$63,854
Net Operating Income										
Total Annual Revenues	$708,000	$846,650	$991,790	$1,207,194	$1,237,374	$1,268,309	$1,300,016	$1,332,517	$1,365,830	$1,399,975
Total Annual Expenses	$161,240	$133,025	$103,297	$55,061	$56,438	$57,849	$59,295	$60,778	$62,297	$63,854
Net Operating Income	$546,760	$713,626	$888,493	$1,152,133	$1,180,936	$1,210,460	$1,240,721	$1,271,739	$1,303,533	$1,336,121

Source: Hunter Interests Inc.

Table 16
Site A, Area 3 Mixed Use Concept, Supportable Debt/Equity

Project Cash Flow		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
NOI Retail & Cultural		$546,760	$713,626	$888,493	$1,152,133	$1,180,936	$1,210,460	$1,240,721	$1,271,739	$1,303,533	$1,336,121
Annual Debt Service		$822,952	$822,952	$822,952	$822,952	$822,952	$822,952	$822,952	$822,952	$822,952	$822,952
Annual Cash Flow		-$276,192	-$109,327	$65,540	$329,181	$357,984	$387,508	$417,769	$448,787	$480,581	$513,169
Supportable Funds											
Supportable Equity:											
Required Developer Return		17%									
Supportable Equity		$705,747									
Supportable Debt:											
NOI YEAR 4		$1,152,133									
Debt Coverage Ratio		1.4									
Debt Service		$822,952									
Interest Rate	7%										
Loan Term	30										
Supportable Debt		$10,307,994									
Total Supportable Funds											
Minimum Equity[1]		$705,747	6%								
Supportable Debt[2]		$10,307,994	94%								
Total Supportable Funds		$11,013,742	100%								

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required.

[2] The financial model employed in this table uses conventional debt financing. The actual financing package would likely use a combination of short term construction loans, low-interest industrial or economic development loans, and debt that could be structured at more favorable terms within the 30-year span.

Source: Hunter Interests Inc.

Total development costs for the commercial building are estimated to be approximately $10.1 million, minus land. Assuming a 7% conventional loan and a term of 30 years, the supportable debt on the project is estimated at approximately $10.3 million. Based on annual cash flow after debt service, the project could generate a minimum of $705,747 of private investment capital with actual equity contributions likely to be much greater. See Table 17.

Table 17
Site #2 Mixed-Use Capital Costs

Building Hard Costs		**Supportable Funds**	
Gross Building Area	70,000	Minimum Equity	$705,747
Hard Cost Per Square Foot	$100	Conventional Debt	$10,307,994
Soft Cost Per Square Foot	$45	**Total Supportable Funds**	$11,013,742
Total Development Costs	$10,150,000	**Project Costs**	$10,150,000
	Condo/Hotel Residences		
Total Development Costs	$4,800,000		

Source: Hunter Interest Inc.

F. Site Three Residential "The Spa" Commercial Project

Table 18
Raleigh Site #3
Mixed Use Project Assumptions

Building Costs	
Square footage	52,000
Building and site improvements	$100
Soft costs	$45
Total per SF costs	$145
Total Costs	$7,540,000
Health Club	
Square Feet	50,000
Rent Rate NNN	$18
Retail	
Square Feet	2,000
Rent Rate NNN	$18
Condominiums	
# of units	100
Building and site improvements	$150,000
Soft costs	$45,000
Total per unit costs	$195,000
Condos unit sales price	$290,000

Source: Hunter Interests Inc.

Total development costs for the Site 3 condominiums are estimated to be approximately $19.5 million. See Table 19.

Table 19
Raleigh Site #3 Condominium Financial Projections

Development Costs	Finance/ Sales Costs	Developer's Equity @ 25%	Required Return on Equity @ 50%	Total Return Required Development & Finance Cost Plus Return on Equity	Sales Price per Unit	Total Sales Revenue
$19,500,000	$2,925,000	$4,875,000	$2,437,500	$24,862,500	$290,000	$29,000,000

Source: Hunter Interests Inc.

Table 20
Raleigh Site #3, Spa & Retail Cash Flow Pro Forma

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:										
Gross Building Area, Spa & Retail	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000
Net Rentable Area @ 90%	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800
Average Occupancy	60%	70%	80%	95%	95%	95%	95%	95%	95%	95%
Occupied Space (RSF)	28,080	32,760	37,440	44,460	44,460	44,460	44,460	44,460	44,460	44,460
Retail Rental Rate NNN, 2.5% Esc.	$18.00	$18.45	$18.91	$19.38	$19.87	$20.37	$20.87	$21.40	$21.93	$22.48
Total Annual Revenue	$505,440	$604,422	$708,037	$861,814	$883,359	$905,443	$928,079	$951,281	$975,063	$999,440
Expenses										
Unoccupied Space	23,920	19,240	14,560	7,540	7,540	7,540	7,540	7,540	7,540	7,540
Operating Expenses per Square Foot	$5.00	$5.13	$5.25	$5.38	$5.52	$5.66	$5.80	$5.94	$6.09	$6.24
Replacement Reserve	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Operating Expenses	$129,600	$108,605	$86,486	$50,599	$51,614	$52,654	$53,720	$54,813	$55,934	$57,082
Net Operating Income										
Total Annual Revenues	$505,440	$604,422	$708,037	$861,814	$883,359	$905,443	$928,079	$951,281	$975,063	$999,440
Total Annual Expenses	$129,600	$108,605	$86,486	$50,599	$51,614	$52,654	$53,720	$54,813	$55,934	$57,082
Net Operating Income	$375,840	$495,817	$621,552	$811,215	$831,746	$852,789	$874,359	$896,468	$919,130	$942,358

Source: Hunter Interests Inc.

Table 21 Site #3 Spa & Retail, Supportable Debt/Equity											
Project Cash Flow		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
NOI Spa & Retail		$375,840	$495,817	$621,552	$811,215	$831,746	$852,789	$874,359	$896,468	$919,130	$942,358
Annual Debt Service		$579,439	$579,439	$579,439	$579,439	$579,439	$579,439	$579,439	$579,439	$579,439	$579,439
Annual Cash Flow		-$203,599	-$83,622	$42,112	$231,776	$252,306	$273,350	$294,920	$317,029	$339,690	$362,918
Supportable Funds											
Supportable Equity:											
Required Developer Return		17%									
Supportable Equity		$483,251									
Supportable Debt:											
NOI YEAR 4		$811,215									
Debt Coverage Ratio		1.4									
Debt Service		$579,439									
Interest Rate	7%										
Loan Term	30										
Supportable Debt		$7,257,845									
Total Supportable Funds											
Minimum Equity[1]		$483,251	6%								
Supportable Debt[2]		$7,257,845	94%								
Total Supportable Funds		$7,741,096	100%								

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required.

[2] The financial model employed in this table uses conventional debt financing. The actual financing package would likely use a combination of short term construction loans, low-interest industrial or economic development loans, and debt that could be structured at more favorable terms within the 30-year span.

Source: Hunter Interests Inc.

Total development costs for the commercial building are estimated to be approximately $7.5 million, minus land. Assuming a 7% conventional loan and a term of 30 years, the supportable debt on the project is estimated at approximately $7.3 million. Based on annual cash flow after debt service, the project could generate a minimum of $483,251 of private investment capital with actual equity contributions likely to be much greater. See Table 22.

Table 22 Site #3 Capital Costs			
Building Hard Costs		**Supportable Funds**	
Gross Building Area	52,000	Minimum Equity	$483,251
Hard Cost Per Square Foot	$100	Conventional Debt	$7,257,845
Soft Cost Per Square Foot	$45	**Total Supportable Funds**	$7,741,096
Total Development Costs	$7,540,000	**Project Costs**	$7,540,000
	Condo/Hotel Residences		
Total Development Costs	$19,500,000		

Source: Hunter Interest Inc.

G. Site Four High-End "Boutique" Hotel/Condo Mixed Use Project

Table 23
Site #4
Raleigh Luxury Hotel/Condos Assumptions

Hotel	
Number of rooms	80
Building and site improvements	$180,000
Soft costs	$60,000
FF & E	$40,000
Pre-operating expenses	$10,000
Total per room costs	$290,000
Revenues	
Average daily room rate (stab.)	$185
Average occupancy (stab.)	70%
Food & beverage	52% of room rev.
Phone & other	10% of room rev.
Expenses	
Rooms	17% of room rev.
Food & beverage	63% of f&b rev.
Telephone & other	52% of t&o rev.
Undistributed expenses	18% of gross rev.
Replacement reserve	2% of gross rev.
Leased Space	
Square footage	20,000
Building and site improvements	$100
Soft costs	$30
Total per SF costs	$130
Revenues	$18/SF NNN
Condominiums	
# of units	20
Building and site improvements	$240,000
Soft costs	$60,000
Total per unit costs	$300,000
Condos unit sales price	$440,000

Source: Hunter Interests Inc.

Total development costs for the Site 4 condominiums are estimated to be approximately $6 million. See Table 24.

Table 24
Raleigh Site #4 Hotel/Condominium Financial Projections

Development Costs	Finance/ Sales Costs	Developer's Equity @ 25%	Required Return on Equity @ 50%	Total Return Required Development & Finance Cost Plus Return on Equity	Sales Price per Unit	Total Sales Revenue
$6,000,000	$900,000	$1,500,000	$750,000	$7,650,000	$500,000	$8,800,000

Source: Hunter Interests Inc.

Table 25
Raleigh Site #4 Luxury Hotel 10-Year Cash Flow Program, Conventional Financing

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:										
Number of Rooms	80	80	80	80	80	80	80	80	80	80
Average Occupancy	55%	60%	65%	67%	67%	67%	67%	67%	67%	67%
Annual Occupied Room Nights	16,060	17,520	18,980	19,564	19,564	19,564	19,564	19,564	19,564	19,564
Average Room Rate	$185	$185	$185	$195	$195	$195	$205	$205	$205	$215
Annual Room Revenue	$2,971,100	$3,241,200	$3,511,300	$3,814,980	$3,814,980	$3,814,980	$4,010,620	$4,010,620	$4,010,620	$4,206,260
Other Revenue:										
Food & Beverage	$1,544,972	$1,750,248	$1,896,102	$2,060,089	$2,060,089	$2,060,089	$2,165,735	$2,165,735	$2,165,735	$2,271,380
Telephone & Other	$297,110	$324,120	$351,130	$381,498	$381,498	$381,498	$401,062	$401,062	$401,062	$420,626
Total Gross Revenue	$4,813,182	$5,315,568	$5,758,532	$6,256,567	$6,256,567	$6,256,567	$6,577,417	$6,577,417	$6,577,417	$6,898,266
Annual Expenses										
Departmental Expenses:										
Rooms	$505,087	$551,004	$596,921	$648,547	$648,547	$648,547	$681,805	$681,805	$681,805	$715,064
Food & Beverage	$973,332	$1,102,656	$1,194,544	$1,297,856	$1,297,856	$1,297,856	$1,364,413	$1,364,413	$1,364,413	$1,430,970
Telephone & Other	$154,497	$168,542	$182,588	$198,379	$198,379	$198,379	$208,552	$208,552	$208,552	$218,726
Total Dept. Expenses	$1,632,917	$1,822,203	$1,974,053	$2,144,782	$2,144,782	$2,144,782	$2,254,771	$2,254,771	$2,254,771	$2,364,759
Undist. Expenses	$866,373	$956,802	$1,036,536	$1,126,182	$1,126,182	$1,126,182	$1,183,935	$1,183,935	$1,183,935	$1,241,688
Replacement Rsrv.	$96,264	$106,311	$115,171	$125,131	$125,131	$125,131	$131,548	$131,548	$131,548	$137,965
Real Estate/Property Tax	$220,328	$220,328	$220,328	$231,344	$231,344	$231,344	$242,912	$242,912	$242,912	$255,057
Total Expenses	$2,815,881	$3,105,644	$3,346,087	$3,627,440	$3,627,440	$3,627,440	$3,813,166	$3,813,166	$3,813,166	$3,999,470
Net Operating Income										
Total Annual Revenues	$4,813,182	$5,315,568	$5,758,532	$6,256,567	$6,256,567	$6,256,567	$6,577,417	$6,577,417	$6,577,417	$6,898,266
Total Annual Expenses	$2,815,881	$3,105,644	$3,346,087	$3,627,440	$3,627,440	$3,627,440	$3,813,166	$3,813,166	$3,813,166	$3,999,470
Net Operating Income	$1,997,301	$2,209,924	$2,412,445	$2,629,128	$2,629,128	$2,629,128	$2,764,251	$2,764,251	$2,764,251	$2,898,797

Source: Hunter Interests Inc.

Table 26
Raleigh Site #4 Accessory Restaurant/Retail 10-Year Cash Flow Program, Conventional Financing

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:										
Gross Building Area, Restaurant	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Net Rentable Area @ 90%	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Average Occupancy	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Occupied Space (RSF)	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Retail Rental Rate NNN, 2.5% Esc.	$18.00	$18.45	$18.91	$19.38	$19.87	$20.37	$20.87	$21.40	$21.93	$22.48
Total Annual Revenue	$162,000	$166,050	$170,201	$174,456	$178,818	$183,288	$187,870	$192,567	$197,381	$202,316
Expenses										
Unoccupied Space	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Operating Expenses per Square Foot	$5.00	$5.13	$5.25	$5.38	$5.52	$5.66	$5.80	$5.94	$6.09	$6.24
Replacement Reserve	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Operating Expenses	$15,000	$15,125	$15,253	$15,384	$15,519	$15,657	$15,798	$15,943	$16,092	$16,244
Net Operating Income										
Total Annual Revenues	$162,000	$166,050	$170,201	$174,456	$178,818	$183,288	$187,870	$192,567	$197,381	$202,316
Total Annual Expenses	$15,000	$15,125	$15,253	$15,384	$15,519	$15,657	$15,798	$15,943	$16,092	$16,244
Net Operating Income	$147,000	$150,925	$154,948	$159,072	$163,299	$167,631	$172,072	$176,624	$181,289	$186,071

Source: Hunter Interests Inc.

Table 27
Raleigh Site #4 Luxury Hotel & Accessory Restaurant, Supportable Debt and Equity, Conventional Financing

Project Cash Flow		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Hotel NOI		$1,997,301	$2,209,924	$2,412,445	$2,629,128	$2,629,128	$2,629,128	$2,764,251	$2,764,251	$2,764,251	$2,898,797
Leased Space NOI		$147,000	$150,925	$154,948	$159,072	$163,299	$167,631	$172,072	$176,624	$181,289	$186,071
Total Net Operating Income		$2,144,301	$2,360,849	$2,567,393	$2,788,199	$2,792,426	$2,796,759	$2,936,323	$2,940,875	$2,945,541	$3,084,868
Annual Debt Service		$1,991,571	$1,991,571	$1,991,571	$1,991,571	$1,991,571	$1,991,571	$1,991,571	$1,991,571	$1,991,571	$1,991,571
Annual Cash Flow		$5,730	$218,353	$420,874	$637,557	$637,557	$637,557	$772,680	$772,680	$772,680	$907,226
Supportable Funds:											
Supportable Equity:											
Required Developer Return		17%									
Supportable Equity		$2,522,722									
Supportable Debt:											
NOI Year 4		$2,788,199									
Debt Coverage Ratio		1.4									
Debt Service		$1,991,571									
Interest Rate	7.5%										
Loan Term	30										
Supportable Debt		$23,735,814									
Total Supportable Funds											
Supportable Equity		$2,522,722	10%								
Supportable Debt		$23,735,814	90%								
Total Supportable Funds		$26,258,536	100%								

[1] The financial model employed in this table solves for a minimum equity requirement based on cash flow after supportable debt service. The actual financing package will likely include significantly greater developer equity which may be structured in the form of loaned capital equal to as much as 30% of the debt required.

[2] The financial model employed in this table uses conventional debt financing. The actual financing package would likely use a combination of short term construction loans, low-interest industrial or economic development loans, and debt that could be structured at more favorable terms within the 30-year span.

Source: Hunter Interests Inc.

Total development costs for the hotel and accessory space are estimated to be approximately $25.8 million, minus land. Assuming a 7% conventional loan and a term of 30 years, the supportable debt on the project is estimated at approximately $23.7 million. Based on annual cash flow after debt service, the project could generate a minimum of $2.5 million of private investment capital with actual equity contributions likely to be much greater. See Table 28.

Table 28
Site #4 Project Capital Costs - Conventional Financing

Hotel and Leased Space			
Development		**Supportable Funds**	
Cost per hotel room	$290,000	Developer Equity	$2,522,722
Total hotel cost	$23,200,000	Conventional Debt	$23,735,814
Cost per SF leased space	$130	Total Supportable Funds	$26,258,536
Total leased space cost	$2,600,000	Project Costs	$25,800,000
Total Development Costs	$25,800,000		
Condo/Hotel Residences			
Total Development Costs	$6,000,000		

Source: Hunter Interests Inc.

H. Site Six Apartment/Commercial Project

Table 29
Raleigh Site #6
Apt./Commercial Project Assumptions

Apartments	
# of units	200
50 1-bedroom @ $920/mo	$46,000
120 2-bedroom @ $1075/mo	$129,000
30 3-bedroom @ $1200/mo	$36,000
Potential Gross Annual Income	$2,532,000
Building and site improvements/unit	$60,000
Soft costs	$30,000
Total per unit costs	$90,000
Total Costs	$18,000,000
Commercial	
Square footage	27,000
Building and site improvements	$100
Soft costs	$45
Total per SF costs	$145
Total Costs	$3,915,000
Office Space	
Square Feet	25,000
Rent Rate	$20
Retail Space	
Square Feet	2,000
Rent Rate	$18

Source: Hunter Interests Inc.

Table 30
Site #6 Apartment Concept Pro Forma

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
Units	200	200	200	200	200	200	200	200	200	200
Rental Occupancy	70%	80%	95%	95%	95%	95%	95%	95%	95%	95%
Net Occupancy	140	160	190	190	190	190	190	190	190	190
Potential Gross Revenue	$2,532,000	$2,607,960	$2,686,199	$2,766,785	$2,849,788	$2,935,282	$3,023,340	$3,114,041	$3,207,462	$3,303,686
Gross Rental Revenue	$1,772,400	$2,086,368	$2,551,889	$2,628,446	$2,707,299	$2,788,518	$2,872,173	$2,958,339	$3,047,089	$3,138,501
Other Reciepts @ 4%	$70,896	$83,455	$102,076	$105,138	$108,292	$111,541	$114,887	$118,334	$121,884	$125,540
Total Gross Income	$1,843,296	$2,169,823	$2,653,964	$2,733,583	$2,815,591	$2,900,059	$2,987,060	$3,076,672	$3,168,972	$3,264,041
Expenses & Reserve										
Expenses @ 30%	$552,989	$564,049	$575,330	$586,836	$598,573	$610,544	$622,755	$635,210	$647,915	$660,873
Replacement Reserve @ 2%	$36,866	$43,396	$53,079	$54,672	$56,312	$58,001	$59,741	$61,533	$63,379	$65,281
Annual Total Expenses	$589,855	$607,445	$628,409	$641,508	$654,885	$668,545	$682,496	$696,744	$711,294	$726,154
Net Operating Income										
Total Annual Revenues	$1,843,296	$2,169,823	$2,653,964	$2,733,583	$2,815,591	$2,900,059	$2,987,060	$3,076,672	$3,168,972	$3,264,041
Total Annual Expenses	$589,855	$607,445	$628,409	$641,508	$654,885	$668,545	$682,496	$696,744	$711,294	$726,154
Net Operating Income	$1,253,441	$1,562,378	$2,025,556	$2,092,076	$2,160,706	$2,231,513	$2,304,564	$2,379,928	$2,457,678	$2,537,888

Source: Hunter Interests Inc.

Table 31
Site #6 Office & Retail 10-Year Cash Flow Pro Forma

Net Operating Income	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues:										
Gross Building Area, Office	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Net Rentable Area @ 90%	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
Gross Building Area, Retail	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Net Rentable Area @ 90%	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Average Occupancy	60%	70%	80%	95%	95%	95%	95%	95%	95%	95%
Occupied Office Space (RSF)	13,500	15,750	18,000	21,375	21,375	21,375	21,375	21,375	21,375	21,375
Occupied Retail Space (RSF)	1,080	1,260	1,440	1,710	1,710	1,710	1,710	1,710	1,710	1,710
Office Rental Rate NNN, 2.5% Esc.	$20.00	$20.50	$21.01	$21.54	$22.08	$22.63	$23.19	$23.77	$24.37	$24.98
Retail Rental Rate NNN, 2.5% Esc.	$18.00	$18.45	$18.91	$19.38	$19.87	$20.37	$20.87	$21.40	$21.93	$22.48
Office Revenue	$270,000	$322,875	$378,225	$460,371	$471,880	$483,677	$495,769	$508,163	$520,867	$533,889
Retail Space Revenue	$19,440	$23,247	$27,232	$33,147	$33,975	$34,825	$35,695	$36,588	$37,502	$38,440
Total Annual Revenue	$289,440	$346,122	$405,457	$493,517	$505,855	$518,502	$531,464	$544,751	$558,370	$572,329
Expenses										
Unoccupied Space	12,420	9,990	7,560	3,915	3,915	3,915	3,915	3,915	3,915	3,915
Operating Expenses per Square Foot	$5.00	$5.13	$5.25	$5.38	$5.52	$5.66	$5.80	$5.94	$6.09	$6.24
Replacement Reserve	$5,789	$6,922	$8,109	$9,870	$10,117	$10,370	$10,629	$10,895	$11,167	$11,447
Operating Expenses	$63,289	$54,329	$44,881	$29,389	$30,124	$30,877	$31,649	$32,440	$33,251	$34,082
Net Operating Income										
Total Annual Revenues	$289,440	$346,122	$405,457	$493,517	$505,855	$518,502	$531,464	$544,751	$558,370	$572,329
Total Annual Expenses	$63,289	$54,329	$44,881	$29,389	$30,124	$30,877	$31,649	$32,440	$33,251	$34,082
Net Operating Income	$226,151	$291,793	$360,576	$464,128	$475,732	$487,625	$499,816	$512,311	$525,119	$538,247

Source: Hunter Interests Inc.

Table 32
Raleigh Site #6 Apartments/Commercial, Supportable Debt and Equity

Project Cash Flow		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Apartment NOI		$1,253,441	$1,562,378	$2,025,556	$2,092,076	$2,160,706	$2,231,513	$2,304,564	$2,379,928	$2,457,678	$2,537,888
Leased Space NOI		$226,151	$291,793	$360,576	$464,128	$475,732	$487,625	$499,816	$512,311	$525,119	$538,247
Total Net Operating Income		$1,479,592	$1,854,171	$2,386,132	$2,556,204	$2,636,438	$2,719,138	$2,804,379	$2,892,239	$2,982,797	$3,076,135
Annual Debt Service		$1,825,860	$1,825,860	$1,825,860	$1,825,860	$1,825,860	$1,825,860	$1,825,860	$1,825,860	$1,825,860	$1,825,860
Annual Cash Flow		-$572,419	-$263,482	$199,696	$266,216	$334,846	$405,653	$478,704	$554,068	$631,818	$712,028
Supportable Funds:											
Supportable Equity:											
Required Developer Return		17%									
Supportable Equity		$1,175,084									
Supportable Debt:											
NOI Year 4		$2,556,204									
Debt Coverage Ratio		1.4									
Debt Service		$1,825,860									
Interest Rate	7.5%										
Loan Term	30										
Supportable Debt		$21,760,847									
Total Supportable Funds											
Supportable Equity		$1,175,084	5%								
Supportable Debt		$21,760,847	95%								
Total Supportable Funds		$22,935,931	100%								

Source: Hunter Interests Inc.

Total development costs for the project are estimated to be approximately $21.9 million, minus land. Assuming a 7% conventional loan and a term of 30 years, the supportable debt on the project is estimated at approximately $21.8 million. Based on annual cash flow after debt service, the project could generate a minimum of $1.8 million of private investment capital with actual equity contributions likely to be much greater. See Table 33.

Table 33
#6 Apartments Capital Costs

Development		**Supportable Funds**	
Apartments	18,000,000	Minimum Equity	$1,175,084
Commercial	$3,915,000	Conventional Debt	$21,760,847
		Total Supportable Funds	$22,935,931
Total Development Costs	$21,915,000	**Project Costs**	$21,915,000

Source: Hunter Interest Inc.